

Unless otherwise stated, all abbreviations contained in this Abridged Prospectus are defined in the "Definitions" section of this Abridged Prospectus.

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.** All enquiries concerning the Rights Issue with Warrants, which is the subject matter of this Abridged Prospectus, should be addressed to our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200, Kuala Lumpur (Tel: +603 - 2783 9299).

This Abridged Prospectus, together with the NPA and RSF (collectively, the "Documents"), will be despatched only to our Entitled Shareholders whose names appear on our Record of Depositors as at 5.00 p.m. on 11 August 2017 at their registered address in Malaysia or who have provided our Share Registrar with a registered address in Malaysia in writing by 5.00 p.m. on 11 August 2017. The Documents are not intended to (and will not be made to) comply with the laws of any country or jurisdiction other than Malaysia, are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any country or jurisdiction other than the laws of Malaysia. Entitled Shareholders and/or their transferee(s) and/or their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal adviser and other professional advisers as to whether the acceptance or renunciation (as the case may be) of their entitlements to the Rights Issue with Warrants, application for Excess Rights Shares with Warrants B, or the subscription, offer, sale, resale, pledge or other transfer of the new securities arising from the Rights Issue with Warrants would result in the contravention of any law of such countries or jurisdictions. We, Mercury Securities and/or the advisers named herein shall not accept any responsibility or liability in the event that any acceptance and/or renunciation (as the case may be) of entitlements, application for Excess Rights Shares with Warrants B or the subscription, offer, sale, resale, pledge or other transfer of the new securities arising from the Rights Issue with Warrants made by any Entitled Shareholders and/or their transferee(s) and/or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which Entitled Shareholders and/or their transferees(s) and/or their renounee(s) (if applicable) are residents.

A copy of this Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. Copies of the Documents have also been lodged with the Companies Commission of Malaysia who takes no responsibility for the contents of the Documents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at our EGM convened on 8 June 2017. Approval has been obtained from Bursa Securities via its letter dated 16 May 2017 for the admission of the Warrants B to the Official List and the listing and quotation of the new securities arising from the Rights Issue with Warrants and the new Shares to be issued upon exercise of the Warrants B on the ACE Market of Bursa Securities (subject to the conditions specified in the said letter), which will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of successful Entitled Shareholders and/or their transferee(s) and/or their renounee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them. However, such admission, listing and quotation are not an indication that Bursa Securities recommends the Rights Issue with Warrants and are in no way reflective of the merits of the Rights Issue with Warrants.

The Board has seen and approved the Documents and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and 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 the Documents false or misleading.

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

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 7 OF THIS ABRIDGED PROSPECTUS.**



**MLABS SYSTEMS BERHAD**

(Company No. 653227-V)

(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 528,169,300 NEW ORDINARY SHARES IN MLABS ("MLABS SHARES" OR "SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.15 PER RIGHTS SHARE TOGETHER WITH UP TO 264,084,650 FREE DETACHABLE WARRANTS IN MLABS ("WARRANTS B") ON THE BASIS OF 2 RIGHTS SHARES TOGETHER WITH 1 FREE WARRANT B FOR EVERY 1 EXISTING MLABS SHARE HELD BY THE ENTITLED SHAREHOLDERS OF MLABS AT 5.00 P.M. ON 11 AUGUST 2017**

*Principal Adviser*



**MERCURY SECURITIES SDN BHD**

(Company No. 113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**IMPORTANT RELEVANT DATES AND TIMES**

Entitlement Date..... : Friday, 11 August 2017 at 5.00 p.m.

**Last date and time for:**

Sale of Provisional Allotments..... : Monday, 21 August 2017 at 5.00 p.m.

Transfer of Provisional Allotments..... : Thursday, 24 August 2017 at 4.00 p.m.

Acceptance and payment..... : Tuesday, 29 August 2017 at 5.00 p.m.

Excess Rights Shares with Warrants B Application and payment..... : Tuesday, 29 August 2017 at 5.00 p.m.

**This Abridged Prospectus is dated 11 August 2017**

**ALL TERMS USED HEREIN ARE AS DEFINED IN THE "DEFINITIONS" SECTION OF THIS ABRIDGED PROSPECTUS UNLESS STATED OTHERWISE.**

**THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.**

**SHAREHOLDERS / INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**SHAREHOLDERS / INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR FACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.**

**THE DISTRIBUTION OF THE ABRIDGED PROSPECTUS, TOGETHER WITH THE NPA AND RSF (COLLECTIVELY, THE "DOCUMENTS") IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.**

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

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**DEFINITIONS**

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:-

<b>Abridged Prospectus</b>	- This abridged prospectus dated 11 August 2017 in relation to the Rights Issue with Warrants
<b>Act</b>	- Companies Act 2016, as amended from time to time and any re-enactment thereof
<b>Additional Warrants A</b>	- The additional Warrants A to be issued to holders of existing Warrants A arising from the Adjustments
<b>Adjustments</b>	- Adjustments to the number and exercise price of the outstanding Warrants A as a result of the Rights Issue with Warrants in accordance with the provisions of Deed Poll A
<b>Base Case Scenario</b>	- Assuming that none of the existing Warrants A are exercised / converted into new MLABS Shares on or prior to the Entitlement Date and all the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe for their entitlements under the Rights Issue with Warrants
<b>Bloomberg</b>	- Bloomberg Finance L.P. and its affiliates
<b>BNM</b>	- Bank Negara Malaysia
<b>Board</b>	- Board of Directors of MLABS
<b>Bursa Depository</b>	- Bursa Malaysia Depository Sdn Bhd (165570-W)
<b>Bursa Securities</b>	- Bursa Malaysia Securities Berhad (635998-W)
<b>By-Laws</b>	- The by-laws governing the ESOS as may be amended, varied or supplemented from time to time
<b>CDS</b>	- Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
<b>CDS Account(s)</b>	- Securities account(s) established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor
<b>Closing Date</b>	- 29 August 2017 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares with Warrants B
<b>CMSA</b>	- Capital Markets and Services Act, 2007, of Malaysia as may be amended from time to time and any re-enactment thereof
<b>Code</b>	- Malaysian Code on Take-Overs and Mergers, 2016 as amended from time to time and any re-enactment thereof
<b>Corporate Exercises</b>	- Rights Issue with Warrants and ESOS
<b>Deed Poll A</b>	- Deed poll dated 18 March 2010 constituting the Warrants A
<b>Deed Poll B</b>	- Deed poll dated 27 July 2017 constituting the Warrants B
<b>EGM</b>	- Extraordinary general meeting of the Company

**DEFINITIONS (CONT'D)**

<b>Eligible Person(s)</b>	- Director(s) or employee(s) of the MLABS Group who meets the criteria of eligibility for participation in the ESOS
<b>Entitled Shareholder(s)</b>	- Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date
<b>Entitlement Date</b>	- 11 August 2017, at 5.00 p.m., being the date on which shareholders' names must be registered in the Company's Record of Depositors in order to be entitled to participate in the Rights Issue with Warrants
<b>EPS</b>	- Earnings per Share
<b>ESOS</b>	- Employees' share option scheme for the granting of ESOS Options to the Eligible Person(s) to subscribe for new MLABS Shares upon the terms as set out in the By-Laws, such scheme to be known as "MLABS Employees' Share Option Scheme", which will be implemented after completion of the Rights Issue with Warrants.
<b>ESOS Options</b>	- Options which may be granted under the ESOS pursuant to the By-Laws, where each holder of the ESOS Options can subscribe for new MLABS Shares pursuant to the exercise of ESOS Options held
<b>Excess Rights Shares with Warrants B</b>	- Rights Shares with Warrants B which are not taken up or not validly taken up by the Entitled Shareholders and/or their transferee(s) and/or their renounee(s) (if applicable) prior to the Closing Date
<b>Excess Rights Shares with Warrants B Application(s)</b>	- Application(s) for additional Rights Shares with Warrants B in excess of the Provisional Allotments
<b>Exercise Period</b>	- Any time within a period of 3 years commencing from and including the date of issue of the Warrants B to the close of business at 5.00 p.m. on the Market Day immediately preceding the date which is the third (3rd) anniversary from the date of issue of the Warrants B. Any Warrants B not exercised during the Exercise Period will thereafter lapse and cease to be valid
<b>Exercise Price</b>	- RM0.15, being the price at which 1 Warrant B is exercisable into 1 MLABS Share, subject to adjustments in accordance with the provisions of the Deed Poll B
<b>Foreign-Addressed Shareholder(s)</b>	- Shareholder(s) who have not provided to the Company a registered address in Malaysia or an address in Malaysia for the service of documents which will be issued in connection with the Rights Issue with Warrants by the Entitlement Date
<b>FPE</b>	- Financial period ended / ending, as the case may be
<b>FYE</b>	- Financial year(s) ended / ending, as the case may be
<b>GDP</b>	- Gross domestic product
<b>GP</b>	- Gross profit
<b>GST</b>	- Goods and Services Tax
<b>ICT</b>	- Information and communications technology
<b>IMS</b>	- IP multimedia subsystem

**DEFINITIONS (CONT'D)**

<b>iOS</b>	- iPhone Operating System
<b>IP</b>	- Internet protocol
<b>ISP</b>	- Internet Service Provider
<b>LAT</b>	- Loss after taxation
<b>LBT</b>	- Loss before taxation
<b>Listing Requirements</b>	- ACE Market Listing Requirements of Bursa Securities, including any amendments made thereto from time to time
<b>LPD</b>	- 12 July 2017, being the latest practicable date prior to the printing of this Abridged Prospectus
<b>LPS</b>	- Loss per Share
<b>LTD</b>	- 26 July 2017, being the last trading day prior to the date of fixing the issue price of the Rights Shares
<b>LTE</b>	- Long Term Evolution
<b>Market Day(s)</b>	- A day between Monday and Friday (inclusive) which is not a public holiday and when Bursa Securities is open for trading in securities
<b>Maximum Scenario</b>	- Assuming that all the existing Warrants A are exercised / converted into new MLABS Shares on or prior to the Entitlement Date and all the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe for their entitlements of the Rights Shares with Warrants B
<b>MCMC</b>	- Malaysian Communications and Multimedia Commission
<b>Mercury Securities or the Principal Adviser</b>	- Mercury Securities Sdn Bhd (113193-W)
<b>Minimum Scenario</b>	- Assuming that none of the Warrants A are exercised / converted into new MLABS Shares prior to the Entitlement Date and none of the Entitled Shareholders and/or their transferee(s) and/or their renouncee(s) fully subscribe to their entitlements of the Rights Shares with Warrants B and the Rights Issue with Warrants is undertaken on the Minimum Subscription Level
<b>Minimum Subscription Level</b>	- Minimum subscription level of 30,000,000 Rights Shares together with 15,000,000 Warrants B based on the issue price of RM0.15 per Rights Share to arrive at proceeds of RM4.5 million
<b>MLABS or the Company</b>	- MLABS Systems Berhad (653227-V)
<b>MLABS Group or the Group</b>	- Collectively, MLABS and its subsidiaries
<b>MLABS Share(s) or Share(s)</b>	Ordinary share(s) in the share capital of MLABS
<b>MSC</b>	- Multimedia Super Corridor
<b>NA</b>	- Net assets

**DEFINITIONS (CONT'D)**

<b>NPA</b>	- Notice of provisional allotment in relation to the Rights Issue with Warrants
<b>Official List</b>	- A list specifying all securities which have been admitted for listing on the ACE Market of Bursa Securities and not removed
<b>PAT</b>	- Profit after taxation
<b>PBT</b>	- Profit before taxation
<b>PIKOM</b>	- Persatuan Industri Komputer dan Multimedia Malaysia / The National ICT Association of Malaysia
<b>Provisional Allotments</b>	- The Rights Shares with Warrants B provisionally allotted to Entitled Shareholders
<b>R&amp;D</b>	- Research and development
<b>Record of Depositors</b>	- A record of security holders provided by Bursa Depository under the Rules of Bursa Depository
<b>Rights Issue with Warrants</b>	- Renounceable rights issue of up to 528,169,300 Rights Shares together with up to 264,084,650 free detachable Warrants B on the basis of 2 Rights Shares together with 1 free Warrant B for every 1 existing MLABS Share held by the Entitled Shareholders on the Entitlement Date
<b>Rights Shares</b>	- New MLABS Shares to be allotted and issued pursuant to the Rights Issue with Warrants
<b>RM and sen</b>	- Ringgit Malaysia and sen, respectively
<b>RSF</b>	- Rights subscription form in relation to the Rights Issue with Warrants
<b>Rules of Bursa Depository</b>	- The rules of Bursa Depository as issued pursuant to the SICDA
<b>Rules on Take-overs, Mergers and Compulsory Acquisitions</b>	- Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC pursuant to Section 377 of the CMSA, as amended from time to time
<b>SC</b>	- Securities Commission Malaysia
<b>Share Registrar</b>	- Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
<b>Shareholders</b>	- Registered holders of MLABS Shares
<b>SICDA</b>	- Securities Industry (Central Depositories) Act, 1991 of Malaysia and includes any amendments from time to time and any re-enactment thereof
<b>TERP</b>	- Theoretical ex-rights price
<b>Telcos</b>	- Telecommunication companies

**DEFINITIONS (CONT'D)**

<b>Undertaking</b>	- Written undertaking from the Undertaking Shareholder dated 4 May 2017 pursuant to which the Undertaking Shareholder has irrevocably and unconditionally undertaken, amongst others, to apply and subscribe in full for his entitlement under the Rights Issue with Warrants at the Entitlement Date together with any Rights Shares not taken up by way of excess shares application to such extent that the aggregate subscription of Rights Shares under the Rights Issue with Warrants received by MLABS amounts to not less than RM4.5 million, details of which are set out in Section 3 of this Abridged Prospectus
<b>Undertaking Shareholder</b>	- Mr. Ong Tee Kein (Executive Director of MLABS)
<b>US</b>	- United States of America
<b>USD</b>	- United States Dollar
<b>VoIP</b>	- Voice over IP
<b>VoLTE</b>	- Voice over LTE
<b>VWAP</b>	- Volume weighted average price
<b>Warrants A</b>	- The outstanding MLABS warrants 2010 / 2020 issued by the Company pursuant to the Deed Poll A
<b>Warrants B</b>	- Up to 264,084,650 free detachable warrants in MLABS to be allotted and issued pursuant to the Rights Issue with Warrants
<b>Warrant A Holder(s)</b>	- The holder(s) of the Warrants A
<b>Warrant B Holder(s)</b>	- The holder(s) of the Warrants B

In this Abridged Prospectus, all references to “the Company” are to MLABS and references to “we”, “us”, “our” and “ourselves” are to the Company and, where the context otherwise requires, our subsidiaries. All references to “you” in this Abridged Prospectus are to the Entitled Shareholders.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Reference to persons shall include corporations, unless otherwise specified.

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

Any discrepancies in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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## CORPORATE DIRECTORY



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

## BOARD OF DIRECTORS

Name (Designation)	Address	Nationality	Profession
General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Retired) (Independent Non-Executive Director / Chairman)	No. 6, Jalan Pungguk 6/4F Section 6 40000 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Mejar Dato' Ismail Bin Ahmad (R) (Executive Director)	No. 2, Jalan Kapur 3/3 Seksyen 3 40000 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Ong Tee Kein (Executive Director)	85, Medan Athinahapan Dua Taman Tun Dr. Ismail 60000 Kuala Lumpur	Malaysian	Accountant
Professor Dr. Sureswaran Ramadass (Non-Independent Non-Executive Director)	14 Jalan Bayan Mutiara 10 D' Residence Bayan Lepas 11900 Penang	Malaysian	University Professor
Yee Yit Yang (Independent Non-Executive Director)	15 Jalan Damai Rasa Alam Damai Cheras 56000 Kuala Lumpur	Malaysian	Company Director

## AUDIT COMMITTEE

Name	Designation	Directorship
General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Retired)	Chairman	Independent Non-Executive Director / Chairman
Professor Dr. Sureswaran Ramadass	Member	Non-Independent Non-Executive Director
Yee Yit Yang	Member	Independent Non-Executive Director

**CORPORATE DIRECTORY (CONT'D)**

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- COMPANY SECRETARIES** : Seow Fei San (MAICSA 7009732)  
Loh Lai Ling (MAICSA 7015412)  
802, 8<sup>th</sup> Floor, Block C  
Kelana Square, 17 Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603 – 7803 1126  
Fax : +603 – 7806 1387
- REGISTERED OFFICE** : 802, 8<sup>th</sup> Floor, Block C  
Kelana Square, 17 Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603 – 7803 1126  
Fax : +603 – 7806 1387
- PRINCIPAL PLACE OF BUSINESS** : Lot 10.3, 10<sup>th</sup> Floor, Menara Lien Hoe  
No. 8, Persiaran Tropicana  
Tropicana Golf & Country Resort  
47410 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603 – 7887 2896  
Fax : +603 – 7887 1896  
Website: [www.mlabs.com](http://www.mlabs.com)  
Email: [enquiry@mlabs.com](mailto:enquiry@mlabs.com)
- AUDITORS AND REPORTING ACCOUNTANTS** : BDO (AF: 0206)  
Level 8  
BDO @ Menara CenTARa  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Tel : +603 – 2616 2888  
Fax : +603 – 2616 3190 / +603 – 2616 3191
- SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS** : Mah-Kamariyah & Philip Koh  
3A07, Block B, Phileo Damansara II  
15 Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603 – 7956 8686  
Fax : +603 – 7956 2208
- PRINCIPAL BANKERS** : CIMB Bank Berhad  
48, Jalan SS21/35  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603 – 6204 7788  
Fax : +603 – 7729 8278
- Malayan Banking Berhad  
62-66, Jalan SS21/35  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603 – 7728 6875  
Fax : +603 – 7728 1390

**CORPORATE DIRECTORY (CONT'D)**

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**SHARE REGISTRAR** : Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel : +603 – 2783 9299  
Fax : +603 – 2783 9222

**PRINCIPAL ADVISER** : Mercury Securities Sdn Bhd  
L-7-2, No. 2, Jalan Solaris  
Solaris Mont' Kiara  
50480 Kuala Lumpur  
Tel : +603 – 6203 7227  
Fax : +603 – 6203 7117

**STOCK EXCHANGE LISTED  
AND LISTING SOUGHT** : ACE Market of Bursa Securities

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

**Registered Office**

802, 8<sup>th</sup> Floor, Block C  
Kelana Square, 17 Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan

11 August 2017

**Board of Directors**

General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Retired) (*Independent Non-Executive Director / Chairman*)  
Mejar Dato' Ismail Bin Ahmad (R) (*Executive Director*)  
Ong Tee Kein (*Executive Director*)  
Professor Dr. Sureswaran Ramadass (*Non-Independent Non-Executive Director*)  
Yee Yit Yang (*Independent Non-Executive Director*)

**To: Entitled Shareholders**

Dear Sir / Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 528,169,300 RIGHTS SHARES TOGETHER WITH UP TO 264,084,650 FREE DETACHABLE WARRANTS B ON THE BASIS OF 2 RIGHTS SHARES TOGETHER WITH 1 FREE WARRANT B FOR EVERY 1 EXISTING MLABS SHARE HELD BY THE ENTITLED SHAREHOLDERS AT 5.00 P.M. ON THE ENTITLEMENT DATE**

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**1. INTRODUCTION**

On 5 May 2017, Mercury Securities had, on behalf of the Board, announced that the Company proposes to undertake, amongst others, the Rights Issue with Warrants.

On 16 May 2017, Mercury Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 16 May 2017, granted its approval for, amongst others, the following:-

- (i) admission of the Warrants B to the Official List;
- (ii) listing and quotation of the Rights Shares and Warrants B;
- (iii) listing and quotation of the Additional Warrants A; and
- (iv) listing and quotation of the new MLABS Shares to be issued pursuant to the exercise of the Warrants B and Additional Warrants A.

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

Condition	Status of compliance
(i) MLABS and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants;	To be met
(ii) MLABS and Mercury Securities to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be met
(iii) MLABS to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed; and	To be met
(iv) MLABS to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants B as at the end of each quarter together with a detailed computation of listing fees payable.	To be met

The Board is pleased to inform that the Shareholders had, during the EGM held on 8 June 2017, approved, amongst others, the Rights Issue with Warrants. A certified true extract of the resolutions approving, amongst others, the Rights Issue with Warrants at the said EGM is attached in Appendix II of this Abridged Prospectus.

The Company had in its circular to Shareholders dated 19 May 2017 ("**Circular**") disclosed that the Rights Issue with Warrants will raise gross proceeds of RM18.7 million under the Base Case Scenario and RM26.4 million under the Maximum Scenario, based on an illustrative issue price of RM0.05 per Rights Share.

Subsequently, on 27 July 2017, Mercury Securities had, on behalf of the Board, announced that the Board resolved to fix the issue price of the Rights Shares at RM0.15 per Rights Share and the Exercise Price at RM0.15 per Warrant B.

Arising from the above, the additional proceeds of RM37.4 million and RM52.8 million under the Base Case Scenario and Maximum Scenario respectively will be allocated for the acquisition and/or investment in other complementary businesses and/or assets, further details of which are set out in Section 5(iii) of this Abridged Prospectus.

On 28 July 2017, Mercury Securities had, on behalf of the Board, announced that the Entitlement Date for the Rights Issue with Warrants has been fixed at 5.00 p.m. on 11 August 2017.

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

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

## 2. PARTICULARS OF THE RIGHTS ISSUE WITH WARRANTS

### 2.1 Details of the Rights Issue with Warrants

In accordance with the terms of the Rights Issue with Warrants as approved by the relevant authorities as well as the Shareholders and subject to the terms of this Abridged Prospectus and the accompanying documents, the Rights Issue with Warrants entails a provisional allotment of up to 528,169,300 Rights Shares together with up to 264,084,650 free detachable Warrants B on a renounceable basis of 2 Rights Shares together with 1 free Warrant B for every 1 existing Share held by the Entitled Shareholders on the Entitlement Date, at an issue price of RM0.15 per Rights Share.

As the Rights Shares and Warrants B are prescribed securities, the respective CDS Accounts of Entitled Shareholders will be duly credited with the number of Provisional Allotments they are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. Entitled Shareholders will find enclosed in this Abridged Prospectus, the NPA notifying Entitled Shareholders of the crediting of such securities into their respective CDS Accounts and the RSF to enable Entitled Shareholders to subscribe for the Provisional Allotments as well as to apply for Excess Rights Shares with Warrants B if Entitled Shareholders so choose to. However, only Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors or who have provided our Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this Abridged Prospectus, together with the NPA and RSF.

The Warrants B are attached to the Rights Shares without any cost and will be issued only to Entitled Shareholders and/or their transferee(s) and/or their renounee(s) who subscribe for the Rights Shares. The Warrants B are exercisable into new MLABS Shares and each Warrant B will entitle the Warrant B Holder to subscribe for 1 new MLABS Share at the Exercise Price. The Warrants B will be immediately detached from the Rights Shares upon issuance and traded separately. The Warrants B will be issued in registered form and constituted by the Deed Poll B. The salient terms of the Warrants B are set out in Section 2.5 of this Abridged Prospectus.

Any dealings in the Company's securities will be subject to, amongst others, the provisions of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, Warrants B and the new Shares to be issued and allotted upon the exercise of the Warrants B will be credited directly into the respective CDS Accounts of successful applicants and holders of Warrant B who exercise their Warrants B (as the case may be). No physical certificates will be issued to the Entitled Shareholders and/or their transferee(s) and/or their renounee(s), nor will any physical share certificates be issued for the new Shares to be issued arising from the exercise of the Warrants B.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Rights Issue with Warrants. However, the Rights Shares and Warrants B cannot be renounced separately, and only Entitled Shareholders who subscribe for the Rights Shares will be entitled to the Warrants B. As such, the Entitled Shareholders who renounce all of their Rights Share entitlements will not be entitled to the Warrants B. If the Entitled Shareholders accept only part of their Rights Share entitlements, they shall be entitled to the Warrants B in proportion to their acceptance of the Rights Share entitlements.

The Rights Shares with Warrants B which are not taken up or not validly taken up by Entitled Shareholders and/or their transferee(s) and/or their renounee(s), if applicable, shall be made available for Excess Rights Shares with Warrants B Applications.

Fractional entitlements arising from the Rights Issue with Warrants, if any, will be disregarded and dealt with by the Board in such manner and on such terms and conditions as the Board at its absolute discretion deems fit or expedient and in the best interests of the Company.

Notice of allotment will be despatched to Entitled Shareholders and/or their transferee(s) and/or their renounee(s) within 8 Market Days from the last date for acceptance and payment of the Rights Shares with Warrants B or such other period as may be prescribed by Bursa Securities.

The Rights Shares and Warrants B will be admitted to the Official List and the listing and quotation of these securities will commence 2 Market Days upon the receipt of an application for quotation for these securities as specified under the Listing Requirements, which will include amongst others, confirmation that all notices of allotment have been despatched to the successful applicants, and after receipt of confirmation from Bursa Depository that all CDS Accounts of successful applicants have been duly credited.

## 2.2 Basis of determining the issue price of the Rights Shares and the Exercise Price

### Issue price of the Rights Shares

The Board had fixed the issue price of the Rights Shares at RM0.15 per Rights Share, after taking into consideration the following:-

- (i) the TERP<sup>(1)</sup> of RM0.1637 per MLABS Share, calculated based on the 5-day VWAP of MLABS Shares up to and including the LTD of RM0.2047; and
- (ii) the historical share price and volatility of MLABS Shares.

The issue price of the Rights Shares represents a discount of approximately 8.37% to the aforementioned TERP.

#### Note:-

- (1) TERP is computed as follows:-

$$\text{TERP} = \frac{(A \times X) + (B \times Y) + (C \times Z)}{A + B + C}$$

where:-

A = Number of Rights Shares

B = Number of Warrants B

C = Number of existing Shares

X = Issue price of the Rights Shares

Y = Exercise Price

Z = 5-day VWAP of MLABS Shares up to and including the LTD

and the ratio of A:B:C is 2:1:1, in accordance with the entitlement basis of 2 Rights Shares together with 1 free Warrant B for every 1 existing Share held.



**Exercise Price**

The Board had fixed the Exercise Price at RM0.15 per Warrant B, after taking into consideration, amongst others, the TERP of MLABS Shares.

The Exercise Price represents a discount of approximately 8.37% to the aforementioned TERP.

**2.3 Ranking of Rights Shares and new MLABS Shares arising from the exercise of the Warrants B and Warrants A**

**Rights Shares**

The Rights Shares shall, upon allotment, issuance and full payment of the issue price of the Rights Shares, rank equally in all respects with the then existing issued MLABS Shares, save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of such Rights Shares.

**New MLABS Shares arising from the exercise of Warrants B**

The new MLABS Shares to be issued pursuant to the exercise of the Warrants B shall, upon allotment, issuance and full payment of the exercise price of the Warrants B, rank equally in all respects with the then existing issued MLABS Shares, save and except that the holders of such new MLABS Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of such new MLABS Shares.

**New MLABS Shares arising from the exercise of Warrants A**

The new MLABS Shares to be issued pursuant to the exercise of the Warrants A shall, upon allotment, issuance and full payment of the exercise price of the Warrants A, rank equally in all respects with the then existing issued MLABS Shares, save and except that the holders of such new MLABS Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of such new MLABS Shares.

As at the LPD, there are 77,217,750 outstanding Warrants A in the Company. The Warrants A will expire on 26 April 2020.

**2.4 Last date and time for acceptance and payment**

The Closing Date is 5.00 p.m. on **29 August 2017**.

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## 2.5 Salient terms of the Warrants B

The salient terms of the Warrants B to be issued pursuant to the Rights Issue with Warrants are set out below:-

Issuer	: MLABS
Issue size	: Up to 264,084,650 Warrants B to be issued pursuant to the Rights Issue with Warrants
Form and denomination	: The Warrants B will be issued in registered form and constituted by the Deed Poll B. The Warrants B which are to be issued with the Rights Shares will be immediately detached from the Rights Shares upon allotment and issuance and will be traded separately on Bursa Securities.
Board lot	: For the purpose of trading on Bursa Securities, a board lot of Warrants B shall be 100 units of Warrants B, or such other number of units as may be prescribed by Bursa Securities.
Tenure of the Warrants B	: 3 years commencing on and including the date of issuance of the Warrants B.
Exercise Period	: The Warrants B may be exercised at any time within a period of 3 years commencing from and including the date of issuance of the Warrants B to the close of business at 5.00 p.m. on the Market Day immediately preceding the date which is the third (3rd) anniversary from the date of issuance of the Warrants B. Any Warrants B not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	: The Exercise Price has been fixed at RM0.15, subject to adjustments in accordance with the provisions of the Deed Poll B.
Subscription rights	: Each Warrant B shall entitle its registered holder to subscribe for 1 new MLABS Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll B.
Mode of exercise	: Warrant B Holders are required to lodge a subscription form with the Company's 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 money order or postal order issued by a post office in Malaysia for the aggregate of the Exercise Price payable when exercising their Warrants B to subscribe for new MLABS Shares. The payment of such fee must be made in Ringgit Malaysia.

- Adjustments to the Exercise Price and/or the number of Warrants B : Subject to the provisions of the Deed Poll B, the Exercise Price and/or the number of unexercised Warrants B in issue may be subject to adjustments by the Board in consultation with an approved adviser appointed by the Company for the purposes of the Deed Poll B and certified by the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants B, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll B. Any adjustment to the Exercise Price will be rounded up to the nearest 1 sen and in no event shall any adjustment (otherwise than upon the consolidation of ordinary shares) involve an increase in the Exercise Price.
- Rights of the Warrant B Holders : The Warrants B do not confer on their holders any voting rights or participation in any forms of distribution and/or offer of further securities in the Company until and unless such holders of Warrants B exercise their Warrants B for new MLABS Shares in accordance with the provisions of the Deed Poll B and such new MLABS Shares have been allotted and issued to such holders.
- Rights of the Warrant B Holders in the event of winding up, liquidation, compromise and/or arrangement : Where a resolution has been passed by the Company for a members' voluntary winding-up of the 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 the Company or the amalgamation of the Company with 1 or more companies, then:-
- (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant B Holders (or some other persons designated by them for such purpose by special resolution of the Warrant B Holders) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrant B Holders; and
  - (ii) in any other cases, every Warrant B Holder shall be entitled at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the subscription rights represented by his Warrants B and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new MLABS Shares to which he would have become entitled pursuant to such exercise. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants B which have not been exercised shall lapse and the Warrants B will cease to be valid for any purpose.

Modification of rights of the Warrant B Holders	: Save as otherwise provided in the Deed Poll B, a special resolution of the Warrant B Holders is required to sanction any modification, alteration or abrogation in respect of the rights of the Warrant B Holders.
Modification of the Deed Poll B	: Any modification to the terms and conditions of the Deed Poll B may be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll B. Any of such modification shall however be subject to the approval of Bursa Securities (if so required).  The Company in consultation with an approved adviser, appointed by the Company for the purposes of the Deed Poll B, may from time to time without the consent or sanction of the Warrant B Holders make any modification (except to provisions for convening meetings of the Warrant B Holders) to the Deed Poll B which will not be materially prejudicial to the interest of the Warrant B Holders or is to correct any typographical errors or relate purely to administration matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia.
Transferability	: The Warrants B shall be transferable in the manner provided under the SICDA and the Rules of Bursa Depository.
Deed Poll	: The Warrants B are constituted by the Deed Poll B.
Governing laws	: The Warrants B and the Deed Poll B shall be governed by the laws of Malaysia.

## 2.6 Details of other intended corporate exercises which have been approved

As at the LPD, save for the Rights Issue with Warrants and the ESOS, the Board confirms that there are no other corporate exercises which have been approved by the regulatory authorities but are pending completion.

## 3. SHAREHOLDER'S UNDERTAKING

The Company intends to raise a minimum of RM4.5 million from the Rights Issue with Warrants to meet the funding requirements of the Group, which will be channelled towards the proposed utilisation as set out in Section 5 of this Abridged Prospectus.

In view of the above, the Board has determined to undertake the Rights Issue with Warrants on the Minimum Subscription Level.

To meet the Minimum Subscription Level, the Company has procured the Undertaking from the Undertaking Shareholder, namely Ong Tee Kein, the Executive Director of the Company, to subscribe in full for his entitlement and additional Rights Shares not taken up by other Entitled Shareholders by way of excess shares applications to such extent that the aggregate subscription of Rights Shares under the Rights Issue with Warrants received by MLABS amounts to not less than RM4.5 million.

Details of the Undertaking are as follows:-

**Minimum Scenario**

Undertaking Shareholder	Existing direct shareholdings as at the LPD		Rights Shares to be subscribed for pursuant to the Undertaking			Direct shareholdings after the Rights Issue with Warrants	
	No. of Shares	%(1)	Subscription based on		Total	No. of Shares	%(2)
			Entitlement	Excess shares application			
Ong Tee Kein	1,000,000	0.54	2,000,000	28,000,000	<sup>(3)</sup> 30,000,000	31,000,000	14.29

**Notes:-**

- (1) Based on the share capital of 186,866,900 MLABS Shares as at the LPD.
- (2) Based on the enlarged share capital of 216,866,900 MLABS Shares after the Rights Issue with Warrants, pursuant to the Minimum Subscription Level and excluding any exercise of Warrants A.
- (3) In aggregate, these represent RM4.5 million (based on the issue price of RM0.15) and 13.83% of the enlarged share capital after the Rights Issue with Warrants under the Minimum Scenario.

Pursuant to the Undertakings, the Undertaking Shareholder has:-

- (i) irrevocably and unconditionally warranted that he shall not sell or in any other way dispose of or transfer his existing interest in the Company or any part thereof during the period commencing from the date of the Undertaking up to the Entitlement Date; and
- (ii) confirmed that he has sufficient financial means and resources to subscribe in full for his entitlement and additional Rights Shares not taken up by other Entitled Shareholders by way of excess shares application to such extent that the aggregate subscription of Rights Shares under the Rights Issue with Warrants received by MLABS amounts to not less than RM4.5 million. Mercury Securities has verified the sufficiency of financial resources of the Undertaking Shareholder for the purpose of subscribing the Rights Shares pursuant to the Undertaking.

The Undertaking Shareholder has confirmed that the Undertaking will not give rise to any consequence of mandatory take-over offer obligation under the Code and Rules on Take-overs, Mergers and Compulsory Acquisitions immediately after completion of the Rights Issue with Warrants.

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

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The Undertaking is not expected to result in any breach in the public shareholding spread requirement by the Company under Rule 8.02(1) of the Listing Requirements, which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. The pro forma public shareholding spread based on the Minimum Scenario is illustrated as follows:-

Particulars	As at the LPD			After the Rights Issue with Warrants		
	No. of MLABS Shares	No. of shareholders	%	No. of MLABS Shares	No. of shareholders	%
Issued share capital	<sup>(1)</sup> 186,866,900	1,144	100.00	<sup>(3)</sup> 216,866,900	1,144	100.00
<i>Less:</i>						
Directors of MLABS	<sup>(2)</sup> 1,373,431	2	0.73	<sup>(2)</sup> 31,373,431	2	14.47
Directors of subsidiaries of MLABS	-	-	-	-	-	-
Persons connected and associated to the Directors	-	-	-	-	-	-
Substantial shareholders of MLABS <sup>(4)</sup>	10,000,000	1	5.35	<sup>(5)</sup> -	-	-
Persons connected and associated to the substantial shareholders <sup>(4)</sup>	-	-	-	-	-	-
Shareholders holding less than 100 Shares	1,646	39	<sup>(6)</sup> -	1,646	39	<sup>(6)</sup> -
<b>Public shareholding spread</b>	<b>175,491,823</b>	<b>1,102</b>	<b>93.91</b>	<b>185,491,823</b>	<b>1,103</b>	<b>85.53</b>

**Notes:-**

- (1) Based on the share capital of 186,866,900 MLABS Shares as at the LPD.
- (2) Comprises the direct and indirect shareholding of Professor Dr. Sureswaran Ramadass and Ong Tee Kein in MLABS as at the LPD. The breakdown of their direct and indirect shareholding in MLABS as at the LPD are set out in Section 4 of Appendix I of this Abridged Prospectus.
- (3) Based on the enlarged share capital of 216,866,900 MLABS Shares after the Rights Issue with Warrants, pursuant to the Minimum Subscription Level and excluding any exercise of the Warrants A.
- (4) Based on the register of substantial shareholders of the Company as at the LPD.
- (5) The shareholding of the substantial shareholder will decrease to 4.61% after the Rights Issue with Warrants. Hence, its shareholding has been added back to the public shareholding spread.
- (6) Negligible.

#### 4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

The Rights Issue with Warrants will enable the Company to raise funds and channel them towards the proposed utilisation as set out in Section 5 of this Abridged Prospectus.

After due consideration of the various options available, the Board is of the opinion that the Rights Issue with Warrants is the most suitable means of fund raising for the Company for the following reasons:-

- (i) it will involve the issuance of new MLABS Shares without diluting the Entitled Shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Rights Issue with Warrants and exercise their Warrants B subsequently;
- (ii) it provides an opportunity for the Entitled Shareholders to participate in the equity offering of the Company on a pro-rata basis; and
- (iii) it will enable the Company to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs.

The free Warrants B 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 free Warrants B will provide the Entitled Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants B and will allow the Entitled Shareholders to further participate in the future growth of the Company as and when the Warrants B are exercised.

The exercise of the Warrants B in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings. Furthermore, should the Company increase its borrowings in the future, the exercise of the Warrants B will increase Shareholders' funds and improve the Company's gearing level, thereby providing the Company with flexibility in terms of the options available to meet its funding requirements.

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## 5. UTILISATION OF PROCEEDS

In the Company's circular to Shareholders dated 19 May 2017, it was disclosed that the Rights Issue with Warrants will raise gross proceeds of RM18.7 million under the Base Case Scenario and RM26.4 million under the Maximum Scenario, based on an illustrative issue price of RM0.05 per Rights Share.

Subsequently, on 27 July 2017, the Board had resolved to fix the issue price at RM0.15 per Rights Share after taking into consideration, amongst others, the factors set out in Section 2.2 of this Abridged Prospectus.

Arising from the above, the additional proceeds of RM37.4 million and RM52.8 million under the Base Case Scenario and Maximum Scenario respectively will be allocated for the acquisition and/or investment in other complementary businesses and/or assets, further details of which are set out in Section 5(iii) below.

Hence, based on the issue price of RM0.15 per Rights Share, the gross proceeds to be raised from the Rights Issue with Warrants will now be utilised in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation from completion of the Rights Issue with Warrants	Minimum Scenario RM'000	<sup>(1)</sup> Base Case Scenario RM'000	<sup>(1)(2)</sup> Maximum Scenario RM'000
(i) Development and marketing for mobile application	Within 18 months	4,000	10,000	10,000
(ii) Working capital	Within 24 months	-	5,000	7,000
(iii) Acquisition and/or investment in other complementary businesses and/or assets	Within 24 months	-	40,330	61,495
(iv) Estimated expenses for the Corporate Exercises	Immediate	<sup>(3)</sup> 500	<sup>(4)</sup> 730	<sup>(4)</sup> 730
<b>Total</b>		<b>4,500</b>	<b>56,060</b>	<b>79,225</b>

### Notes:-

- (1) Any additional proceeds raised in excess of the RM4.5 million under the Minimum Scenario will be allocated up to its respective maximum allocation in the following order:-
- estimated expenses for the Corporate Exercises;
  - development and marketing for mobile application;
  - working capital; and
  - acquisition and/or investment in other complementary businesses and/or assets.
- (2) The Board wishes to highlight that the illustrative amount of up to approximately RM79.2 million that will be raised under the Maximum Scenario is based on the assumption that all the outstanding Warrants A are exercised prior to the Entitlement Date.

The Board is of the view that based on the timeline for implementation of the Rights Issue with Warrants, it is unlikely for all the outstanding Warrants A to be exercised prior to the Entitlement Date in view that the remaining tenure of approximately 3 years from the LPD for the Warrants A (expiring on 26 April 2020); and



- (3) Under the Minimum Scenario, the balance of RM230,000 (difference between RM730,000 and RM500,000) of estimated expenses for the Corporate Exercises shall be funded via internally generated funds.
- (4) If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for working capital. Conversely, any surplus of funds following payment of expenses will be utilised for working capital purposes.
- (i) **Development and marketing expenses for mobile application**

The Company plans to develop and market a mobile application that has multipoint voice call features that will enable multi-users to join audio and video conferences remotely, and enables users to send secured texts and access to voice calls via the application ("**Mobile Application**"). This is complementary to MLABS' core business and enhances the marketability of the Company's videoconferencing products via capitalising on the growing trend of video and audio conferencing over mobile technologies.

Currently, MLABS has developed a basic mobile application, a voice only mobile application that allows users to join audio and video conferences remotely ("**Standard Mobile Application**"), details of which are further set out in Section 6 of this Abridged Prospectus. Currently, in the case of video conferences, users of the Standard Mobile Application may access a video conference via voice calls only and will not have access to video transmission.

Since the commercialisation of the Standard Mobile Application, the Company has sold 84,500 user licenses up to the LPD to organisations for the Standard Mobile Application and has generated revenue of approximately RM2.3 million (17.4% from overseas customers; 82.6% from Malaysian customers).

Further to the positive response from the Standard Mobile Application, the Group intends to utilise the proceeds to further build upon the Standard Mobile Application to develop the business version ("**Business Mobile Application**") and subsequently further improve the Business Mobile Application to the upgraded premium version ("**Premium Mobile Application**") (please refer to Section 6 of this Abridged Prospectus for further details) as follows:-

	<b>Business Mobile Application</b>	<b>Premium Mobile Application</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(i) Hardware and infrastructure	500	1,500	2,000
(ii) Software development and implementation	2,500	2,500	5,000
(iii) Marketing expenses	1,000	2,000	3,000
<b>Total</b>	<b>4,000</b>	<b>6,000</b>	<b>10,000</b>

The Business Mobile Application will have 2 distinct features, namely hosting multi-user audio conferencing features as well as secured chat features by allowing local server hosting within an organisation. The Board is of the opinion that the Mobile Application will be able to enhance the marketability of their videoconferencing products by harnessing the growth of audio conferencing over mobile technologies. Also, the additional secured chat feature will be attractive to businesses and organisations seeking an avenue to communicate and to transfer confidential information quickly through a secured channel. Further details of the Business Mobile Application is set out in Section 6.1 of this Abridged Prospectus.

The Premium Mobile Application will have the ability to be compatible with other mobile device operating systems, provide higher speed and higher quality audio and video transmission even in poor bandwidth condition, provide better security features, provide multiple language platform and allow transfer of various types of files. Users will have to pay a premium for the Premium Mobile Application. Further details of the Premium Mobile Application is set out in Section 6.2 of this Abridged Prospectus.

The development of the Premium Mobile Application will be funded using the proceeds raised in excess of the Minimum Scenario. Any shortfall in proceeds raised between the Minimum Scenario and the Maximum Scenario to develop the Premium Mobile Application will be funded via internally generated funds and/or bank borrowings. The actual funding breakdown will only be determined by the Company later. The Company may implement the development of the Premium Mobile Application in stages subject to the availability of funds or seek other funding alternatives (which may include other fund raising exercises to be undertaken by the Company) to develop and commercialise the Premium Mobile Application.

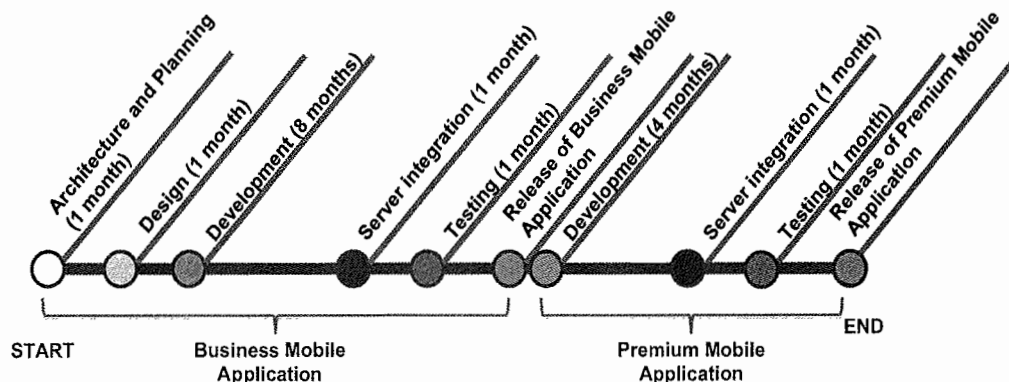
At this juncture, the hardware and infrastructure required for the development of the Business Mobile Application is expected to include the purchase of 20 servers and storage devices, 5 routers and switches, 1 firewall system and data center racks used for storing the hardware. The total number of subscribers which can be hosted on the Company's servers with the purchase of such hardware and infrastructure is estimated to be 1 million subscribers. The software development and implementation for the Business Mobile Application shall be outsourced to third party software developers to be identified.

In order to upgrade the Business Mobile Application to the Premium Mobile Application, the Company will need to purchase additional 60 servers and storage devices, 7 routers and switches, 2 firewall system, installation of cooling system for the server room, installation of unlimited power supply system, cabling and wiring, and data center racks used for storing the hardware. The number of subscribers which can be hosted on the Company's servers following the additional purchase of the hardware is estimated to be an additional 2 million subscribers. The software development and implementation for the Premium Mobile Application shall be outsourced to third party software developers to be identified.

The Company also intends to hire 1 senior technical staff and 1 junior technical staff to oversee the development of the entire Mobile Application. The Company will start the hiring process for additional staffs upon the development of the Business Mobile Application, which will commence upon receipt of the Rights Issue with Warrants proceeds. Based on the planned upgrades and purchase of the abovementioned software and hardware under the Business Mobile Application and the Premium Mobile Application, the Company may ultimately host up to 3 million users on their servers. Further, the Mobile Application is scalable and is able to host additional users by increasing the back-end processing servers, hard drive storage capacities and bandwidth.

The development of the Business Mobile Application is estimated to take approximately 12 months and will commence upon receipt of the rights issue proceeds. The development of the Premium Mobile Application, which will be undertaken after the completion of the Business Mobile Application, is estimated to take approximately 6 months. The Company intends to make the Premium Mobile Application available to other markets in the region and as such, will customise the Mobile Application by supporting different languages. Further details are set out in Section 6.2(iv) of this Abridged Prospectus.

The summarised timeline for the development and stages of development is as follows:-



The Company intends to outsource the development of the Mobile Application to third party software developers and will undertake the quality control and pilot testing of the Mobile Application in-house. Further, the Company intends to hire 1 senior staff for sales and marketing of the Mobile Application. The Company will start the hiring process for additional staffs upon the development of the Business Mobile Application, which will commence upon receipt of the Rights Issue with Warrants proceeds.

The entire development of the Business Mobile Application and the Premium Mobile Application will be funded using the proceeds from the Rights Issue with Warrants. Further information on the Business Mobile Application and the Premium Mobile Application is as set out in Section 6 of this Abridged Prospectus.

## (ii) Working capital

The breakdown for the Group's working capital purposes is as follows:-

Working capital	Percentage allocation (%)	Allocation	
		Base Case Scenario (RM'000)	Maximum Scenario (RM'000)
Payment of salaries to staffs of the MLABS Group <sup>(1)</sup>	30.0	1,500	2,100
Operating and administrative expenses such as utilities, rental costs, transportation costs, upkeep of office, marketing costs and other miscellaneous items	50.0	2,500	3,500
Other related expenses such as audit fees and tax agent fees as well as other administrative expenses	20.0	1,000	1,400
<b>Total</b>	<b>100.0</b>	<b>5,000</b>	<b>7,000</b>

### Note:-

- (1) Comprises payment of salaries to the Group's workforce which consists of 9 staffs as at the LPD.

Any shortfall between the proceeds raised from the Rights Issue with Warrants allocated for working capital and the Group's actual working capital requirements will be met by via internally generated funds and/or bank borrowings. Based on the audited financial statements of the Group for the FYE 31 March 2017, the Group's current assets stood at RM2.5 million while its current liabilities stood at RM0.5 million, yielding a surplus of current assets over current liabilities of RM2.0 million.

**(iii) Acquisition and/or investments in other complementary businesses and/or assets**

The allocation of up to RM61.5 million of the proceeds raised shall be utilised to finance any suitable and viable potential business(es) / investment(s) and/or strategic acquisition(s) in similar or other complementary businesses and/or assets, within 24 months from completion of the Rights Issue with Warrants. The Rights Issue with Warrants may allow MLABS Group to capitalise on suitable and viable investment opportunities as and when it arises, which may in turn generate positive returns to MLABS Group, thereby increasing Shareholders' value.

These potential business(es) / investment(s) and/or strategic acquisition(s) may include businesses within MLABS's core business in the mobile value added services, as well as businesses relating to the Mobile Application or such other businesses and/or assets which the Board may deem beneficial and are complementary to the Group's business expansion.

As at the LPD, the Board has yet to identify any specific business and/or assets for acquisition and/or investment. The Company will make the necessary announcement(s) as provided for in the Listing Requirements as and when it has entered into any agreement in relation to the acquisition and/or investment of the complementary business and/or assets. In the event that Shareholders' approval and/or other regulatory approvals are required, the necessary approvals will be sought.

Pending the identification of new businesses to be invested in, the Company will place the unutilised cash proceeds in interest-bearing bank deposits and/or money market financial instruments under a separate bank account from the other proceeds allocated for Sections 5(i), 5(ii) and 5(iv) of this Abridged Prospectus. Any form of utilisation from this account shall be subject to the approval of the Audit Committee of the Company. The status of utilisation will also be reported in the quarterly financial results announcements as well as annual reports of the Company.

Subject to the eventual subscription level of the Rights Issue with Warrants, the proceeds to be allocated for the acquisition and/or investments in other complementary businesses and/or assets may be substantial.

Hence, the Board has resolved that if the Company is unable to identify suitable investments within 24 months from the completion of the Rights Issue with Warrants, the Company shall undertake a capital reduction and repayment exercise to distribute the unutilised proceeds back to Shareholders. In such an event, the Company shall seek the necessary approvals from Shareholders and/or other relevant authorities to effect the capital reduction and repayment exercise.

Notwithstanding the above, the Board wishes to highlight that the illustrative amount of up to approximately RM61.5 million is based on the assumption that all the outstanding Warrants A are exercised prior to the Entitlement Date and the Rights Issue with Warrants is fully subscribed.

**(iv) Estimated expenses for the Corporate Exercises**

The breakdown of the estimated expenses for the Corporate Exercises is illustrated below:-

<b>Estimated expenses</b>	<b>Amount RM'000</b>
Professional fees	(1)600
Fees to relevant authorities	95
Printing, despatch and advertising expenses	35
<b>Total</b>	<b>730</b>

Note:-

(1) Comprises fees payable to the Principal Adviser, solicitors, reporting accountants, company secretary and Share Registrar.

The actual gross proceeds to be raised from the Rights Issue with Warrants will depend on the actual number of Rights Shares that will be eventually issued.

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants B would depend on the actual number of Warrants B exercised. The proceeds from the exercise of the Warrants B will be received on an "as and when basis" over the tenure of the Warrants B.

Based on the exercise price of RM0.15 per Warrant B, the Company will raise gross proceeds of up to approximately RM39.6 million upon full exercise of the Warrants B under the Maximum Scenario. Any proceeds arising from the exercise of the Warrants B in the future will be used to finance future working capital requirements including payment of salaries to staff of the Group, operating expenses and administrative expenses such as utilities, rental costs, transportation costs, upkeep of office, marketing costs and other miscellaneous items as illustrated in Section 5(iii) above. The exact breakdown as well as the timeframe for full utilisation cannot be determined at this juncture and would be dependent on the actual requirements at the relevant time.

**6. DETAILS ON THE COMPANY'S BUSINESS EXPANSION**

MLABS is principally involved in videoconferencing business. The Company provides videoconferencing products, including the software, hardware, support and maintenance of the products.

While the videoconferencing business in Malaysia has strong prospects, its growth is tied to broadband speed availability, broadband coverage as well as market penetration. The rapid pace of change in technology has allowed the rising consumerisation of ICT and the blending of personal and business use of technological devices and applications. As such, it is common to find an assimilation of mobile devices in the modern work place, especially as people become more mobile at work.

The transition from audio-only communication to richer audio, web and video collaboration results in a demand for web conferencing solutions that not only facilitate online meetings, but also serve as social and collaborative platforms.

Conventionally, popular chat applications with voice call functions in the market are hosted on cloud servers that are not known to the end users. As such, the security of sensitive information and data that are transferred and/or exchanged via these popular chat applications could potentially be compromised.

Hence, the Group has identified these opportunities to fulfil the consumer need of requiring a mobile platform that allows users to join audio conferences which is both secured and user friendly. As such, MLABS initiated the development of the Standard Mobile Application. Ultimately, the Mobile Application leverages on the Group's expertise in videoconferencing technology and enhances the marketability of their videoconferencing products.

The fully developed Mobile Application, which includes the Business Mobile Application and the Premium Mobile Application, is aimed at business users who are constantly on the go and do not have easy access to any audio conferencing tools. The Mobile Application allows multiple users to participate in audio conferencing via voice calls while simultaneously send text messages and share files. In addition, the Mobile Application is also targeted at businesses and organisations dealing with sensitive and confidential information. The Mobile Application can be hosted securely on a server within the organisation. As such, only the organisation themselves will have full security, control and access to all the internal communications hosted privately within their server.

The development of the Standard Mobile Application, which allows users to join audio conferences via voice calls only, has been completed in June 2015. However, the Company believes that the inclusion of other functions, such as texting, group chat and file transfer capabilities, are vital for the success of the Mobile Application and to be as competitive as other popular mobile applications that are currently in the market such as WhatsApp, LINE and WeChat. In addition, the Company will also add on security features to the Mobile Application, which will enhance its marketability due to a rising need for data confidentiality.

The Mobile Application is expected to present the Group with a strategic opportunity to expand its revenue stream as detailed in Section 6.4 of this Abridged Prospectus, which is expected to contribute towards improved earnings growth in the future.

For further clarity, the salient features of the Mobile Application are as follows:-

Features	Mobile Application		
	Standard	Business	Premium
Participate in audio and video conference (Join a video session via audio only)	✓	✓	✓
Hosting of multi-user audio conference	x	✓	✓
Group / private chat	x	✓	✓
Transfer of various file types	x	✓	✓
Support wider operating system other than Android	x	x	✓
Multiple language support	x	x	✓
Local / private server hosting	x	✓	✓
Number of active participants for an audio conference session	Limited to 3 active participants	Limited to 4 active participants	Limited to 8 active participants
Number of people able to join the audio conference session	Unlimited	Unlimited	Unlimited

## 6.1 Business model of the Business Mobile Application

The Business Mobile Application will mainly address the following 2 issues:-

- (i) it provides users who are constantly on-the-go an avenue on their mobile devices to join in on audio and video conferences via voice calls; and
- (ii) it provides business users a secured social media equivalent mobile application within an organisation.

Currently, the limitations of some of the popular chat applications in the market are as follows:-

- (i) only allow point-to-point audio or video calls;
- (ii) multiparty audio and video call services, if offered, are paid services;
- (iii) multiparty audio and video calls involves high bandwidth usage and require high speeds and stable lines to function properly, without which, dropped calls will result and the quality of the calls and videos will suffer;
- (iv) does not allow for the transfer of files other than media type files, i.e. photos, audio and videos recorded with the mobile device; and
- (v) the mobile chat applications are hosted on servers that are not known and not accessible by the end user, hence the confidentiality of the data exchanged on the mobile chat applications may be compromised.

These limitations present opportunities for the Business Mobile Application that offers multiparty audio and video calls as well as a secured communication channel. In particular, the Mobile Application will offer the following advantages compared to other mobile chat applications in the market:-

- (i) multiparty audio call services will be free to users;
- (ii) innovative bandwidth aware protocol embedded that will assign roles to participants, which mirrors the protocol of an actual conference by limiting and prioritising the participation of certain members; hence optimising bandwidth usage;
- (iii) integrating the same technology used in the Group's existing videoconferencing products, which enables high quality and crisp sound quality in calls;
- (iv) the Group's Multiple-Local Area Network IP Converter technology which when implemented can connect up to 1,000 users per server; hence, the number of users participating in a conference can be unlimited, depending on the number of servers available; and
- (v) organisations can opt to host the servers for the Mobile Application securely within their organisation, hence having full control of the data exchanged and the administrative rights, including adding and removing a user remotely.

Other salient features of the Business Mobile Application are as follows:-

- (i) Android based;
- (ii) the bandwidth aware protocol is designed to optimise bandwidth but will restrict the number of parties sending voice information at any one time to 3 parties;

- (iii) limited to only 4 active participants per conference call session. The chairperson of the conference call session will have the option of allowing any 3 users to converse in the conference call session at any one time; and
- (iv) compatible and interoperable with the Group's existing videoconferencing product suite, i.e. Crystalview.

## **6.2 Business model of the Premium Mobile Application**

While the Business Mobile Application allows users to participate in an audio or video conference via voice calls and provides an avenue for a secured channel of communication, the Premium Mobile Application will further improve the marketability of the Mobile Application through the following additional features:-

### **(i) Compatibility with other operating systems**

Due to budget limitations, the Business Mobile Application is designed to be compatible with Android based mobile devices only. The Group is prioritising the compatibility of the Business Mobile Application with Android devices as the Group has found that the market share for Android is larger than other mobile operating systems.

For the Mobile Application to be successful, it is also crucial for it to be compatible with all other mobile operating systems (i.e. iOS and Windows Mobile) as well as devices, such as personal computers, laptops and tablets, in order to broaden subscriber base by making it widely available and accessible to a broader cross-section of users.

### **(ii) Higher quality audio transmission even in poor bandwidth conditions**

The Group intends to develop bandwidth aware protocol technology that enables higher quality audio transmission even in poor bandwidth condition. The enhanced bandwidth aware protocol will allow 8 or more parties to participate and still maintain high quality audio transmission.

In addition, the proceeds will also be utilised to develop the servers, hardware and/or infrastructure required to support the higher quality audio transmission.

### **(iii) Enhanced security features**

The Group will also include other enhanced security features as below:-

- (a) authentication of users in setting up the Premium Mobile Application through users' mobile phone number;
- (b) access to the Premium Mobile Application will be password protected; and
- (c) the communication between the Premium Mobile Application and servers will be encrypted.

### **(iv) Multiple language platforms**

The Group is cognisant of the opportunities and the potential to market the Mobile Application to other markets in the region such as Thailand, China, Indonesia and Japan. Hence, the Premium Mobile Application will be localised and made available in multiple languages. At this juncture, the Company has yet to finalise the languages which the Premium Mobile Application will support.



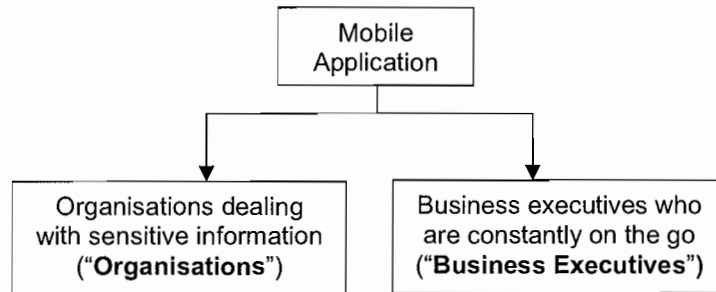
(v) **Allows transfer of various types of files**

Currently, most of the social chat applications in the market only allow users to exchange multimedia type files, i.e. photos and videos only. As the Group is mainly targeting business users, the Premium Mobile Application can allow users to transfer various types of files including document type files (i.e. PDF files, Microsoft Word files, Microsoft Excel files and Microsoft PowerPoint files).

This feature facilitates discussions and conference sessions as it allows users to access and share discussion materials. The actual types of files which will be transferrable under the Premium Mobile Application will be determined based on the popularity of the file type and the commercial feasibility to incorporate such file type to be transferrable.

**6.3 Target market for the Mobile Application**

The Mobile Application will be made available to the general public, i.e. anyone with a smartphone and internet access will be able to download and use the Mobile Application. Specifically, the Mobile Application has been tailored to cater to 2 categories of users as follows:-



(i) **Organisations**

The targeted Organisations typically deal with highly sensitive information. As such, these Organisations would want to ensure the confidentiality of the sensitive information and data exchanged between users within the Organisations.

(ii) **Business Executives**

The targeted Business Executives are typically people who are constantly on the go and/or traveling and hence, do not have access to conventional audio and video conferencing tools.

The Mobile Application's principal market is in Malaysia. Since the commercialisation of the Standard Mobile Application in March 2016 up to the LPD, approximately 82.6% of the revenue from Standard Mobile Application is derived from sales of user license in Malaysia while the remaining 17.4% is derived from overseas markets.

At this juncture, the Company intends to focus on marketing the Mobile Application in Malaysia. However, should the opportunity arise and subject to the commercial and financial feasibility, the Company may offer the Mobile Application to more users outside of Malaysia. As such, the Company intends to offer multiple language platforms under the Premium Mobile Application as set out in Section 6.2 (iv) above.

#### 6.4 Revenue model for the Mobile Application

The Group will earn revenue via the following revenue sources:-

**(i) User license subscription fees – from Organisations**

Subscription fees will be charged to the Organisations based on a monthly or annual subscription fee per user license. Organisations may also opt to pay a one-off fee (which will be charged at a premium as compared to the annual subscription fees) to purchase such number of user licenses as required.

**(ii) User license subscription fees – from ISPs and Telcos**

Subscription fees will be earned based on the number of subscribers who subscribes for the Mobile Application through the ISPs and Telcos. The subscribers may opt to subscribe on a monthly or annual basis.

**(iii) Advertising revenue**

The Company also intends to sell banner ads to advertisers. The advertisers will be able to customise the content appearing on the banner ads which will be pushed to the users of the Mobile Application.

The Company shall earn the full amount of the advertising revenue for any advertisements sold to third parties directly by the Company. Further, the Company shall negotiate with the ISPs and Telcos a share of the advertising revenue earned from the advertisers sold by the ISPs and Telcos.

### 7. RISK FACTORS

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors (which may not be exhaustive) before subscribing for or investing in the Rights Issue with Warrants:-

#### 7.1 Risks relating to the Group

**(i) Business risks**

The Group is an investment holding company while its subsidiary companies are principally engaged in R&D, assembling and trading of multimedia video conferencing systems and equipment. As such, the Group is subject to certain risks inherent in such markets and industries.

The Group's business risks include changes in general economic conditions such as general downturn in the global, regional and Malaysian economy, government regulations, inflation, and changes in business conditions such as deterioration in prevailing market conditions, lack of skilled IT professionals, and increase in costs for skilled IT professionals, ability to protect its intellectual property and technological obsolescence.

The market for the Group's products and services is characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, mobile phones and tablets, operating systems, software and hardware applications and frequent new product introductions and enhancements.

The Group's products and services may become obsolete due to advancement in technology as a result of extensive R&D available in the marketplace. If one or more of the Group's competitors introduce products and services that can better address customers' needs, it may adversely affect its competitiveness and therefore may affect its business, operating conditions and financial results.

The Group minimises its exposure to these risks through, among others, its ongoing R&D efforts to introduce innovative products and services using the latest technology which is able to adequately address the changing needs of the marketplace while keeping the cost to customers or end-users relatively low.

The Group has an experienced and skilled team of R&D personnel, which constantly endeavours to keep abreast with contemporary leading-edge technologies and carry out the necessary research to capitalise on such technologies that are suitable for its future business. There can be no assurance that the Group will be able to keep abreast with the changes in technologies and that such changes would not affect its competitiveness in the ICT industry, which may have a material effect on its quality of service, business operations and financial performance.

**(ii) Advances in technology**

The rapid rate of technological advances in the field of multimedia teleconferencing may lead to rapid obsolescence of the Group's products and services. Demand for the Group's product and services that are based on existing technologies may also fall rapidly as new technologies are introduced.

The Group may find that the value of its inventory of multimedia teleconferencing products depreciate rapidly if it is rendered obsolete by technological advances.

The Group is in the R&D of multimedia teleconferencing and the Board would seek to keep abreast with the latest technology in the field of multimedia teleconferencing and would continue to upgrade and develop new products to better serve their customers.

**(iii) Product performance**

The Group's R&D efforts are subject to all the risks inherent in the development of new products and technology (including unanticipated delays, expenses, difficulties). There can be no assurance that the Group's products (including the Mobile Application) will satisfactorily perform the functions for which they are designed, that they will meet applicable price or performance objectives, or that the market will be receptive to them and they will be commercially viable or successful or that unanticipated technical or other problems will not occur which would result in increased costs or material delays in the development thereof.

Furthermore, software products as complex as those developed by the Group may contain errors or failure when installed, updated or enhanced. There can be no assurance that, despite testing by the Group and by current and potential end users, errors will not be found in new products after the delivery by the Group, resulting in loss of or delay in market acceptance.

However, to minimise the exposure to such risk, the Group places emphasis on continuous R&D to develop new products and enhance existing products that are in line with current technology and market trends to meet the needs of its customers.

**(iv) Dependence on key management**

The ICT industry is a growing and fast changing sector and the management and operation of the business requires the employment of highly skilled knowledge workers, whether in technology or non-technology related fields. The Board recognises and believes that the Group's continuing success depends upon the abilities and continuing efforts of its existing Executive Directors, key management and key technical personnel and on its ability to hire, train and retain qualified and competent IT personnel.

While the Group has made efforts to nurture and maintain good relationships with its senior management team and key technical personnel, there can be no assurance that the loss of any of the key personnel can be avoided and would not affect its ability to operate its business competitively. The Group mitigates this by incorporating effective human resource management and development, continuing to hire personnel as and when necessary to accommodate any increase in the size of its operations.

The Group also implements an effective succession plan by grooming the existing staff members to support the senior management and/or to shoulder further responsibilities in preparation for long-term expansion and to provide suitable incentives such as employee share options, bonuses, training, competitive salary package and a conducive working environment.

However, there can be no assurance that the above measures taken or to be taken will be successful and that any change in the Group's key personnel will not have a material effect on its business and operations.

**7.2 Risks relating to the Rights Issue with Warrants**

**(i) Delay in or abortion of the Rights Issue with Warrants**

The Rights Issue with Warrants may be delayed or cancelled if there is a material adverse change of events or circumstances such as rapid economic decline or a major natural disaster, which is beyond the control of the Company and the Principal Adviser.

In the event of failure in the completion of the Rights Issue with Warrants, all application monies received pursuant to the Rights Issue with Warrants will be refunded without interest to the Entitled Shareholders and or their renouncee(s) *(if applicable)* who have subscribed for the Rights Shares in accordance with Section 243 of the CMSA *(except for the costs of purchasing the provisional allotment of the Rights Shares with Warrants B and any expenses associated therewith)* and if any such monies is not repaid within 14 days after it becomes liable, the Company and its officers shall be liable to return such money with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.

In the event that the Rights Issue with Warrants is cancelled after the Rights Shares and Warrants B have been validly allotted to the Entitled Shareholders and/or their renouncee(s) *(if applicable)*, a return of monies of the Entitled Shareholders and/or their renouncee(s) *(if applicable)* can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation requires the approval of the Shareholders by way of a special resolution in a general meeting, consent of creditors (where applicable) and may require the confirmation of the High Court of Malaya. In such an event, there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

**(ii) Capital market risk**

The market price of the new securities arising from the Rights Issue with Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuation. The respective price of the Company's securities is influenced by, amongst others, the prevailing market sentiments, the volatility of the stock market, movements in interest rates and the outlook of the industry in which the Company operates in. In view of this, there can be no assurance that the MLABS Shares (together with the Rights Shares and any new Shares issued pursuant to the exercise of the Warrants) will trade at or above the TERP disclosed in Section 2.2 of this Abridged Prospectus after completion of the Rights Issue with Warrants.

The Warrants B are new instruments issued by the Company. Therefore, there can be no assurance that an active market for the Warrants B will develop upon listing on Bursa Securities, or if developed, will be sustainable. In addition, there is no assurance that the Warrants B will be "in-the-money" during the Exercise Period.

Accordingly, there is no assurance that the market price of the Warrants B will be at a level that meets the specific investment objectives or targets of any subscriber of the Warrants B.

**(iii) Forward-looking statements and other information**

Certain statements in this Abridged Prospectus are based on historical data, which may not be reflective of future results and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on the estimates and assumptions made by the Company, unless stated otherwise, and although the Board believes these forward-looking statements to be reasonable at this point in time given the prevailing circumstances, they are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, but are not limited to, those set out in this Abridged Prospectus.

In view of this and other uncertainties, the inclusion of any forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty by the Company, the Principal Adviser and/or other advisers that the plans and objectives of the Group will be achieved.

Further, certain information in this Abridged Prospectus is extracted or derived from available government publications or other publicly available sources. Neither the Company nor the Principal Adviser and/or any other advisers have independently verified such information.

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## 8. INDUSTRY OVERVIEW AND PROSPECTS

### 8.1 Malaysian economy

The Malaysian economy recorded a higher growth of 5.6% in the first quarter of 2017 (4Q 2016: 4.5%). Private sector activity was higher and remained as the main driver of growth. Growth was further lifted by higher exports, as increased demand for manufactured products led to a strong growth in real exports (9.8%; 4Q 2016: 2.2%). Real imports also increased at a faster rate of 12.9% (4Q 2016: 1.6%) on account of higher growth of capital and intermediate goods. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.8% (4Q 2016: 1.3%).

Domestic demand growth increased to 7.7% in the first quarter of the year (4Q 2016: 3.2%), supported by continued expansion in private sector expenditure (8.2%; 4Q 2016: 5.9%) and the turnaround in public sector expenditure. Private consumption grew by 6.6% (4Q 2016: 6.1%). Household spending remained supported by continued expansion in employment and wage growth. The implementation of selected Government measures, including the higher amount of Bantuan Rakyat 1Malaysia cash transfers, also provided additional impetus to household spending.

Public consumption recorded a stronger growth of 7.5% (4Q 2016: -4.2%) attributed to higher spending on both emoluments and supplies and services. Private investment grew at a robust pace of 12.9% (4Q 2016: 4.9%), following continued capital spending in the services and manufacturing sectors. Investments in machinery and equipment were higher during the quarter, supported by the implementation of several large-scale projects in the manufacturing sector.

Business sentiments improved during the quarter amid the better international economic environment and more stable financial markets.

Public investment registered a higher growth of 3.2% (4Q 2016: -0.4%), driven mainly by higher spending on fixed assets by public corporations.

On the supply side, most economic sectors expanded at a faster pace. The improvement in the overall growth was contributed primarily by the turnaround in the agriculture sector and higher growth in the manufacturing and services sectors.

Growth in the agriculture sector rebounded as crude palm oil yields recovered from the negative impact of El Niño. The performance of the sector was also supported by a double-digit expansion in rubber production. In the manufacturing sector, growth was driven mainly by the electronics and electrical segment, in line with the continued favourable global demand for semiconductors. The domestic-oriented industries were supported by the continued demand for food-related products and a rebound in the motor vehicle production.

The services sector expanded at a faster pace in the first quarter. Growth in the wholesale and retail sub-sector improved in line with higher household spending. The finance and insurance sub-sector also registered higher growth, supported by improvements in loan growth and capital market activity amid higher issuance of initial public offerings. Growth in the construction sector was stronger, supported by civil engineering activity in the petrochemical, power plant and transportation segments.

In the mining sector, growth moderated on lower crude oil production, particularly in Sarawak and Peninsular Malaysia, as part of the global initiative to reduce oil production.

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2017, BNM)

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4% - 4.5%) with nominal gross national income (GNI) per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported by pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2% - 2.5%). Meanwhile, public sector expenditure will be driven mainly by higher capital investment by public corporations.

(Source: Economic Report 2016/2017, Ministry of Finance Malaysia)

## 8.2 Overview and outlook of the ICT industry in Malaysia

### Internet use and non-use

The percentage of Internet users in 2015 showed a remarkable increase of 11% (2015: 77.6% and 2014: 66.6%) making the online community from two-third to three-fourth of the entire national population. The number of Internet users in 2015 was approximately 24.1 million (or 77.6% of all inhabitants in Malaysia).

Among non-users, 13.2% were ex-users while 86.8% exclusively never used the Internet. The distribution of non-users comprised of 4.4% of pre-teens and teens, 57.0% of adults below 50 years old and the remaining 38.5% were seniors. The mean age of non-users was 50.7 years old, an increase of 4.3 years compared to 2014. This shows that more seniors are using the Internet.

### ICT at work

Information technology has changed the way we work. Corporate and education hubs put in efforts to equip existing and future workforce with ICT skills. 38.9% of Internet users said that their profession does not require any ICT skills whilst 43.2% claimed that they required minimum ICT skills (using a computer or software to save, protect, edit, process, transfer and retrieve information). Only 17.9% required proficiency in IT knowledge.

Smartphones were the most commonly owned Internet access device among all Internet users in Malaysia. The percentage of smartphone ownership rose from 74.3% in 2014 to 90.7% in 2015. Similarly, take-up of tablet and smart TV continue to increase over the past three years, with 35.4% of Internet users having tablets, and one quarter of them (25.7%) have smart TV.

### Most Preferred Internet Access: Technology and Place

Looking at the trend by places of Internet access, on-the-go users grew significantly by 20.4% from 2014 to 2015. Similarly, users using free Wi-Fi anywhere and users accessing Internet at another person's home increased by 10.7% and 9.1% respectively over the same period. This was mainly due to free connection and at the same time save one's mobile data consumption.

Commercial Internet centres collect a fee from its patrons to access the Internet. There were 37.3% of Internet users who frequented these places like cybercafés that provide fully networked gaming session which could be hardly set-up elsewhere. The percentage of users visiting public Internet centres such as Program Pusat Internet 1Malaysia (Pi1M) and public libraries also increased at an encouraging pace in the past two years. These facilities imposed a minimal fee or do not charge its patrons. Although Internet access at place of education increased to 20.2% from 17.2% in 2014, it still remained the least preferred place.

On the down trend, home users started to decline while connectivity at place of work plateau.

### **What do Netizens Do Online?**

The Internet has transformed the ways in which people communicate. On average, users spent 18.83 hours online in a week, equivalent to 2.7 hours in a day. This was more than the average hours spent by users watching TV (2.5 hours) in 2014.

Over-the-top (OTT) messaging services, providing the instant chatting experience anytime and anywhere is showing an increasing trend. Nine in ten (92.7%) Internet users used OTT to communicate with friends and family. Apart from texting, the use of Internet telephony services was consistently on the rise reaching up to 39.1% of users, increased by 4.9% from 2014.

The Internet remained as an important source of information for 90.1% users, while 80.2% said they were 'hooked' on social media. For leisure activities, streaming video or watching online TV was preferred by 70.9% of users followed by listening to music (64.2%), downloading music or video (57.4%), reading e-publications (50.1%) and playing computer games (43.7%).

In addition to entertainment, the Internet also provided convenience to students and educators to have virtual group discussion, conduct research, find reference material, etc. As such, about two-third (67.5%) of Internet users used Internet as a study space (not restricted to students who contributed to 18.9% of user base).

(Source: Internet Users Survey 2016, MCMC)

Digital infrastructure plays a critical role in connecting businesses and individuals to the global marketplace, allowing people to communicate in ways never possible before due to rapid technological advances.

Malaysia aspires to ensure that its citizens and economy keep pace with the digital global economy by expanding the successful roll-out of digital technologies such as the High-Speed Broadband (HSBB) and Digital Terrestrial Television (DTT). This, coupled with efforts to increase the affordability of such services, and enhanced consumer protection standards, will pave the way for the ubiquity of fibre connectivity, ensuring that Malaysians have access to affordable, high-quality digital infrastructure on par with the world's developed economies. These aspirations will be achieved through four strategies:

- **Strategy C1: Expanding and upgrading broadband infrastructure** through deploying broadband as an essential service, improving connectivity from international to last-mile connections, and integrating digital infrastructure planning;
- **Strategy C2: Increasing affordability and protection for consumers** through an improved Access Pricing Framework (APF) and setting standards for consumer protection;
- **Strategy C3: Migrating to DTT** by implementing the second phase of DTT and introducing value-added services; and
- **Strategy C4: Strengthening infrastructure for smart cities** through better connectivity and seamless integration of urban services

(Source: 11th Malaysia Plan)



To support demand, we will invest in application and content development, and infrastructure build up with specific focus on quality and speed. The objective is to establish a ubiquitous, high quality and affordable broadband network that will reach 95 percent of the population by 2020. In the same timeframe, all urban areas will have at least 100 Mbps broadband access, putting Malaysia's urban areas on par with leading countries globally. Suburban and rural areas will also have broadband access ranging from 10 to 100 Mbps, connecting the population with the nation and worldwide communities. Key sectors of the economy will be fully CCI-enabled with top 10 global recognition for Malaysia's E-Learning, E-Healthcare and E-Government implementations. In the process, we will create an additional 43,162 jobs with more than 75 percent being high-skilled and paying more than RM48,000 per annum.

The required funding for entry point projects (EPPs) will be RM30.3 billion, of which 97 percent will be provided by private entities. The remaining 3 percent public funding will mostly be deployed to achieve inclusiveness for the rakyat.

Next generation infrastructure will enable a broad range of new applications which are being developed globally (e.g. location based services, telepresence, mobile payments). In the telecommunications sector, profits are increasingly shifting away from infrastructure towards applications and content. We must exploit niches in which domestic companies can effectively compete to stimulate demand and ensure a share of the future profits in this space.

Growth from fixed services will come primarily from fixed broadband and data lines. Fixed broadband subscribers will grow by 10.5 percent compound annual growth rate (CAGR) (from 2009 to 2020), as existing fixed line users take advantage of bundled packages. Services such as IPTV and online gaming and music will drive much of this increased uptake. Fixed data lines will grow by 2.6 percent CAGR (from 2009 to 2020) as more companies require their own internal networks. This opportunity will contribute RM1.7 billion in incremental gross national income and create 3,250 new jobs by 2020.

Mobile services will see subscription growth in all segments: voice, data and broadband. Voice lines will grow by 2.7 percent CAGR (from 2009 to 2020) driven by both the growing population and increasing tendency of subscribers to have multiple mobile accounts. Mobile data, which includes SMS, content and services that do not require an Internet connection, will grow in line with subscriber growth. Lastly, mobile broadband subscribers will grow rapidly by 10.5 percent CAGR (from 2009 to 2020) as 3G users begin to access the Internet, more advanced devices induce Malaysians to use their phones as their primary means of Internet access and lower costs allow mobile Internet access to become more widespread. This opportunity will contribute RM3.6 billion in incremental GNI and create 5,788 new jobs by 2020.

(Source: ETP Handbook Chapter 13 – Communications Content and Infrastructure, Pemandu)

The most notable driver for ICT application is mobile broadband. According to Measuring the Information Society Report (MISR) 2015, there have been a substantial growth in global access to and use of ICTs, particularly where mobile services and the Internet are concerned. Mobile cellular networks now cover over 95 percent of the world's global population, while the number of mobile-cellular subscriptions has risen from 2.2 billion in 2005 to an estimated 7.1 billion in 2015.

There is also noticeable growth in the number of mobile broadband subscriptions worldwide, from 0.8 billion in 2010 to an estimated 3.5 billion in 2015. However, the number of fixed-broadband subscriptions has risen much more slowly to an estimated 0.8 billion today. The number of Internet users has also grown rapidly, and is now estimated at over 40% of the world's population.

(Source: myConvergence: Volume 14, Malaysian Communications and Multimedia Commission)

From the connectivity and services perspectives, Malaysian broadband subscriptions have reached 30.8 million, taking the national household penetration rate to 77.3% by the end 2015. It is worth noting that the 4G LTE population coverage has achieved target of 50% population coverage two years earlier than target, that is, reaching 53.6% population coverage as at end 2015.

On mobile subscriptions, the penetration rate is at 143.8% in 2015. By service provider market share, Maxis constituted 28.1%, followed by Celcom 27.9%, DiGi 27.2% and U Mobile 8.4%. In addition, mobile virtual network operators (MVNOs) in total captured the balance 8.4% mobile subscription market share. It is noted that the MVNO market is still slowly expanding. MVNO subscriptions in 2014 captured 8.2% market share.

(Source: Industry Performance Report for 2015, Malaysian Communications and Multimedia Commission)

### **8.3 Prospects and future plans for the Group**

MLABS is principally engaged in investment holding, R&D in multimedia video conferencing system, assembling and trading of multimedia video conferencing system and equipment, as well as provision of mobile application solutions.

Moving forward, the Group will continue to focus on its core business relating to the trading and assembling of multimedia video conferencing systems and will undertake further development of the Mobile Application which complements its existing video conferencing software. MLABS has already developed the Standard Mobile Application since June 2015. Since the commercialisation of the Standard Mobile Application, the Company has sold 84,500 user licenses up to the LPD to organisations for the Standard Mobile Application and has generated revenue of approximately RM2.3 million.

In view of the positive response to the Standard Mobile Application as seen through the number of user licenses sold thus far, the Group intends to further upgrade the Standard Mobile Application through utilising the proceeds to be raised from the Rights Issue with Warrants. Further details on the utilisation of the proceeds has been set out under Section 5 of this Abridged Prospectus and further details on the Company's business expansion has been set out in Section 6 of this Abridged Prospectus.

Assuming the Rights Issue with Warrants is completed in the third quarter of 2017, the expected date for launching the Business Mobile Application is targeted to be within 12 months from the receipt of the rights proceeds (i.e. by the third quarter of 2018), whilst the Premium Mobile Application is targeted to be launched within 6 months after the completion of the Business Mobile Application (i.e. by the first quarter of 2019).

Upon the successful implementation of the abovementioned future plans and premised on the growth prospects of the ICT industry as outlined in Section 8.2 of this Abridged Prospectus, the Group is optimistic that the outlook of its business will be positive in the future. The Group expects the successful commercialisation of the Business Mobile Application and the Premium Mobile Application will contribute positively to the Group.

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## 9. EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

### 9.1 Share capital

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

	Minimum Scenario		Base Case Scenario		Maximum Scenario	
	No. of Shares	Share capital RM	No. of Shares	Share capital RM	No. of Shares	Share capital RM
Share capital as at the LPD	186,866,900	9,343,345	186,866,900	9,343,345	186,866,900	9,343,345
Arising from the conversion of all the outstanding Warrants A	-	-	-	-	77,217,750	7,721,775
Enlarged issued share capital after exercise of outstanding Warrants A	186,866,900	9,343,345	186,866,900	9,343,345	264,084,650	17,065,120
To be issued pursuant to the Rights Issue with Warrants	30,000,000	(1)4,500,000	373,733,800	(1)56,060,070	528,169,300	(1)79,225,395
To be issued assuming full exercise of the Warrants B	15,000,000	(2)2,250,000	186,866,900	(2)28,030,035	264,084,650	(2)39,612,698
<b>Enlarged issued share capital after full exercise of Warrants B</b>	<b>231,866,900</b>	<b>16,093,345</b>	<b>747,467,600</b>	<b>93,433,450</b>	<b>1,056,338,600</b>	<b>135,903,213</b>

Notes:-

(1) Based on the issue price of RM0.15 per Rights Share.

(2) Based on the exercise price of RM0.15 per Warrant B.

**9.2 NA and gearing**

The pro forma effects of the Rights Issue with Warrants on the NA and gearing of the Group are as follows: -

**Minimum Scenario**

	Audited as at 31 March 2017 RM'000	(I) After the Rights Issue with Warrants <sup>(1)(2)</sup> RM'000	(II) After (I) and upon full exercise of the Warrants B <sup>(3)</sup> RM'000
Share capital	9,343	10,317	16,094
Warrant reserve	-	3,527	-
Retained earnings / (accumulated losses)	(4,394)	(5,125)	(5,125)
<b>Shareholders' equity / NA</b>	<b>4,949</b>	<b>8,719</b>	<b>10,969</b>
No. of MLABS Shares in issue ('000)	186,867	216,867	231,867
NA per MLABS Share (RM)	0.03	0.04	0.05
Total borrowings (RM'000)	-	-	-
Gearing (times)	-	-	-

**Notes:-**

- (1) Based on the Minimum Subscription Level of 30,000,000 Rights Shares together with 15,000,000 Warrants B at the issue price of RM0.15 per Rights Share.
- (2) After accounting for the creation of warrant reserve based on the issuance of 15,000,000 Warrants B at an allocated fair value of RM0.2351 per Warrant B (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses incidental to the Corporate Exercises of approximately RM0.73 million.
- (3) Based on the exercise price of RM0.15 per Warrant B and after accounting for the reversal of warrant reserve.

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**Base Case Scenario**

	Audited as at 31 March 2017 RM'000	(I) After the Rights Issue with Warrants <sup>(1)(2)</sup> RM'000	(II) After (I) and upon full exercise of the Warrants B <sup>(3)</sup> RM'000
Share capital	9,343	21,471	93,434
Warrant reserve	-	43,933	-
Retained earnings / (accumulated losses)	(4,394)	(5,125)	(5,125)
<b>Shareholders' equity / NA</b>	<b>4,949</b>	<b>60,279</b>	<b>88,309</b>
No. of MLABS Shares in issue ('000)	186,867	560,601	747,468
NA per MLABS Share (RM)	0.03	0.11	0.12
Total borrowings (RM'000)	-	-	-
Gearing (times)	-	-	-

**Notes:-**

- (1) Assuming all the Entitled Shareholders and/or their renouncee(s) fully subscribe for their respective entitlements at the issue price of RM0.15 per Rights Share.
- (2) After accounting for the creation of warrant reserve based on the issuance of 186,866,900 Warrants B at an allocated fair value of RM0.2351 per Warrant B (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses incidental to the Corporate Exercises of approximately RM0.73 million.
- (3) Based on the exercise price of RM0.15 per Warrant B and after accounting for the reversal of warrant reserve.

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**Maximum Scenario**

	Audited as at 31 March 2017 RM'000	(I) Assuming full granting and/or exercise of the Warrants A <sup>(1)</sup> RM'000	(II) After (I) and the Rights Issue with Warrants <sup>(2)(3)</sup> RM'000	(III) After (I), (II) and upon full exercise of the Warrants B <sup>(4)</sup> RM'000
Share capital	9,343	17,065	34,205	135,904
Warrant reserve	-	-	62,086	-
Retained earnings / (accumulated losses)	(4,394)	(4,394)	(5,125)	(5,125)
<b>Shareholders' equity / NA</b>	<b>4,949</b>	<b>12,671</b>	<b>91,166</b>	<b>130,779</b>
No. of MLABS Shares in issue ('000)				
NA per MLABS Share (RM)	186,867	264,085	792,254	1,056,339
Total borrowings (RM'000)	0.03	0.05	0.12	0.12
Gearing (times)	-	-	-	-

**Notes:-**

- (1) Assuming all 77,217,750 outstanding Warrants A are exercised at the exercise price of RM0.10 per Warrant A
- (2) Assuming all the Entitled Shareholders and/or their renouncee(s) fully subscribe for their respective entitlements at the issue price of RM0.15 per Rights Share.
- (3) After accounting for the creation of warrant reserve based on the issuance of 264,084,650 Warrants B at an allocated fair value of RM0.2351 per Warrant B (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses incidental to the Corporate Exercises of approximately RM0.75 million.
- (4) Based on the exercise price of RM0.15 per Warrant B and after accounting for the reversal of warrant reserve.

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### 9.3 Substantial shareholders' shareholdings

The pro-forma effects of the Rights Issue with Warrants on the substantial shareholders' shareholdings based on the register of substantial shareholders of the Company as at the LPD are as follows:-

#### Minimum Scenario

Substantial shareholders	As at the LPD			(I) After the Rights Issue with Warrants		
	Direct		Indirect	Direct		Indirect
	No. of Shares	% <sup>(1)</sup>	No. of Shares	No. of Shares	% <sup>(2)</sup>	No. of Shares
Ace Solution Investments Ltd	10,000,000	5.35	-	10,000,000	4.61	-
Benjamin Lim Keong Hoe	-	-	(4)10,000,000	-	-	(4)10,000,000
Ong Tee Kein	1,000,000	0.54	-	31,000,000	14.29	-

Substantial shareholders	(II) After (I) and assuming full exercise of the Warrants B		
	Direct		Indirect
	No. of Shares	% <sup>(3)</sup>	No. of Shares
Ace Solution Investments Ltd	10,000,000	4.31	-
Benjamin Lim Keong Hoe	-	-	(4)10,000,000
Ong Tee Kein	46,000,000	19.84	4.31

#### Notes:-

- (1) Based on the share capital of 186,866,900 MLABS Shares as at the LPD.
- (2) Based on the enlarged share capital of 216,866,900 MLABS Shares, under the Minimum Scenario.
- (3) Based on the enlarged share capital of 231,866,900 MLABS Shares, under the Minimum Scenario.
- (4) Deemed interested by virtue of his substantial shareholding in Ace Solution Investments Ltd.

**Maximum Scenario**

Substantial shareholders	As at the LPD				(I) Assuming full granting and/or exercise of the Warrants A			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
Ace Solution Investments Ltd	10,000,000	5.35	-	-	10,000,000	3.79	-	-
Benjamin Lim Keong Hoe	-	-	(5)10,000,000	5.35	-	-	(5)10,000,000	3.79

Substantial shareholders	(II) After (I) and the Rights Issue with Warrants				(III) After (I), (II) and assuming full exercise of the Warrants B			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(4)</sup>	No. of Shares	% <sup>(4)</sup>
Ace Solution Investments Ltd	30,000,000	3.79	-	-	40,000,000	3.79	-	-
Benjamin Lim Keong Hoe	-	-	(5)30,000,000	3.79	-	-	(5)40,000,000	3.79

**Notes:-**

- (1) Based on the share capital of 186,866,900 MLABS Shares as at the LPD.
- (2) Based on the enlarged share capital of 264,084,650 MLABS Shares, assuming all the 77,217,750 Warrants A are fully exercised.
- (3) Based on the enlarged share capital of 792,253,950 MLABS Shares, under the Maximum Scenario.
- (4) Based on the enlarged share capital of 1,056,338,600 MLABS Shares, under the Maximum Scenario.
- (5) Deemed interested by virtue of his substantial shareholding in Ace Solution Investments Ltd.

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#### 9.4 Earnings and EPS

For the FYE 31 March 2017, the Group registered LAT attributable to owners of the Company of RM0.21 million. The effects of the Rights Issue with Warrants on the consolidated earnings and EPS of MLABS for the FYE 31 March 2018 will depend on, amongst others, the number of Rights Shares to be issued and the level of returns generated from the utilisation of the proceeds to be raised from the Rights Issue with Warrants.

In general, the consolidated EPS (or LPS) of MLABS will be diluted as a result of the increase in the number of MLABS Shares in issue following the issuance of the Rights Shares and the new MLABS Shares arising from the exercise of the Warrants B.

Assuming the Rights Issue with Warrants had been completed on 1 April 2016 (being the beginning of the latest audited FYE 31 March 2017) and the Rights Shares (and the new MLABS Shares arising from the full exercise of Warrants B, in the case of Proforma II below) were issued on the same date, the pro forma effects of the Rights Issue with Warrants on the consolidated losses and LPS of MLABS would be as follows:-

	Audited FYE 31 March 2017	Pro forma I <sup>(1)</sup>			Pro forma II <sup>(1)</sup>		
		After the Rights Issue with Warrants			After the Rights Issue with Warrants B		
		Minimum Scenario	Base Case Scenario	Maximum Scenario	Minimum Scenario	Base Case Scenario	Maximum Scenario
(LAT) attributable to owners of the Company (RM'000)	(205)	(205)	(205)	(205)	(205)	(205)	
No. of MLABS Shares ('000)	186,867	216,867	560,601	792,254	231,867	1,056,339	
(LPS) (sen)	(0.11)	(0.09)	(0.04)	(0.03)	(0.09)	(0.02)	

Note:-

(1) Assuming the Rights Issue with Warrants had been completed on 1 April 2016 (being the beginning of the latest audited FYE 31 March 2017) and the Rights Shares (and the new MLABS Shares arising from the full exercise of Warrants B, in the case of Proforma II) were issued on the same date.

#### **9.5 Convertible securities**

As at the LPD, save for the Warrants A, MLABS does not have any other outstanding convertible securities.

The Rights Issue with Warrants may give rise to an adjustment to the number and exercise price of Warrants A pursuant to the provisions of the Deed Poll A. The adjustment is to ensure that the status of the Warrant A Holders would not be prejudiced after the implementation of the Rights Issue with Warrants.

The notice setting out the details of the abovementioned adjustments will be despatched to the holders of Warrant A Holders in due course.

### **10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS**

#### **10.1 Working capital**

The Board is of the opinion that, after taking into consideration the Group's financial position, the funds generated from the Group's operations and the banking facilities available to the Group, the Group will have sufficient working capital available for a period of 12 months from the date of this Abridged Prospectus.

#### **10.2 Borrowings**

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

#### **10.3 Contingent liabilities**

As at the LPD, there are no contingent liabilities which upon becoming due or enforceable may have a material impact on the profits or NA value of the Group.

#### **10.4 Material commitments**

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

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## **11. INSTRUCTIONS FOR ACCEPTANCE AND PAYMENT**

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

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

### **11.1 General**

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments that you are entitled to subscribe for in full or in part under the terms and conditions of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for such Rights Shares with Warrants B that you have been provisionally allotted as well as to apply for Excess Rights Shares with Warrants B if you choose to do so. This Abridged Prospectus and the RSF are also available at the Registered Office, the Share Registrar or on Bursa Securities' website (<http://www.bursamalaysia.com>).

### **11.2 NPA**

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

### **11.3 Procedures for acceptance and payment**

Acceptance of and payment for the Provisional Allotments allotted to you must be made on the RSF issued together with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained therein. Acceptances which do not strictly conform to the terms and conditions of this Abridged Prospectus, the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of the Board.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.**

If you wish to accept all or part of your entitlement to the Provisional Allotments, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST, COURIER or DELIVERED BY HAND (at your own risk) to the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at the following address:-

Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

OR

Tricor Customer Service Centre  
Unit G-3, Ground Floor  
Vertical Podium  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan

Tel : +603 - 2783 9299  
Fax : +603 - 2783 9222

so as to arrive not later than 5.00 p.m. on **Tuesday, 29 August 2017**, being the last date and time for the acceptance and payment for the Rights Shares with Warrants B.

If you lose, misplace or for any other reason require another copy of the RSF, you may obtain additional copies from the Registered Office, the Share Registrar or Bursa Securities' website (<http://www.bursamalaysia.com>).

1 RSF must be used for acceptance of the Provisional Allotments standing to the credit of 1 CDS Account. Separate RSFs must be used for the acceptance of Provisional Allotments standing to the credit of more than 1 CDS Account. The Rights Shares with Warrants B accepted by you will be credited into the CDS Account(s) where the Provisional Allotments are standing to the credit.

Successful applicants to the Rights Shares with Warrants B will be given the Warrants B on the basis of 1 Warrants B for every 2 Rights Shares successfully subscribed for. The minimum number of Rights Shares with Warrants B that can be accepted is 2 Rights Shares with 1 Warrant B. However, you should take note that a trading board lot comprises 100 Shares. Fractions of a Rights Share and/or Warrant B arising from the Rights Issue with Warrants will be dealt with as the Board may at its absolute discretion deem fit and expedient and in the best interest of the Company.

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

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of a banker's draft or cashier's Order or money order or postal order drawn on a bank or post office in Malaysia and which must be made payable to "MLABS RIGHTS ISSUE ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side with your name in block letters, contact number, address and your CDS Account number, and must be received by the Share Registrar by 5.00 p.m. on **Tuesday, 29 August 2017**. The payment must be made for the exact amount payable for the Rights Shares accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

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

**NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**PROOF OF POSTAGE SHALL NOT CONSTITUTE PROOF OF RECEIPT BY OUR SHARE REGISTRAR OR THE COMPANY.**

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

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

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.**

**ALL RIGHTS SHARES AND WARRANTS B TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING SUCH RIGHTS SHARES AND THE WARRANTS B INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR TRANSFEREE(S) AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE OR WARRANT CERTIFICATES WILL BE ISSUED.**

If acceptance of and payment for the Provisional Allotments allotted to you (whether in full or in part, as the case may be) are not received by our Share Registrar by 5.00 p.m. on **Tuesday, 29 August 2017**, the provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar.

The Board will then have the right to allot any Rights Shares with Warrants B not taken up or not validly taken up to applicants applying for the Excess Rights Shares with Warrants B in the manner as set out in Section 11.6 of this Abridged Prospectus.

#### **11.4 Procedures for part acceptance**

If you do not wish to accept the Rights Shares with Warrants B provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed / applied for. The minimum number of Rights Shares with Warrants B that may be accepted is 2 Rights Shares with 1 Warrant B. Fractions of a Rights Share and Warrant B arising from the Rights Issue with Warrants will be disregarded and the aggregate of such fractions shall be dealt with as the Board may at its absolute discretion deem fit and expedient and in the best interests of the Company. Applicants should take note that a trading board lot comprises 100 Shares and 100 warrants respectively.

You must complete both Part I(A) of the RSF by specifying the number of Rights Shares with Warrants B which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to the Share Registrar in the same manner as set out in Section 11.3 of this Abridged Prospectus.

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.**

#### **11.5 Procedures for sale or transfer of Provisional Allotments**

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

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL ALLOTMENTS, YOU ARE NOT REQUIRED TO DELIVER ANY DOCUMENT TO YOUR STOCKBROKER. YOU ARE HOWEVER ADVISED TO ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL ALLOTMENTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT BEFORE SELLING OR TRANSFERRING.**

If you have sold or transferred only part of the Provisional Allotments, you may still accept the balance of the Provisional Allotments by completing Parts I(A) and II of the RSF and delivering the RSF together with the full amount payable on the balance of the Rights Shares with Warrants B applied for to the Share Registrar. Please refer to Section 11.3 of this Abridged Prospectus for the procedures for acceptance and payment.

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

#### **11.6 Procedures for the Excess Rights Shares with Warrants B Application**

If you wish to apply for additional Rights Shares with Warrants B in excess of your entitlement, you may do so by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forwarding it with a separate remittance made in RM for the full amount payable for the Excess Rights Shares with Warrants B applied for, to our Share Registrar so as to arrive not later than 5.00 p.m. on **Tuesday, 29 August 2017**, being the last time and date for Excess Rights Shares with Warrants B Applications and payment.

Payment for the Excess Rights Shares with Warrants B Application(s) be made in the same manner as set out in Section 11.3 of this Abridged Prospectus except that the banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia must be made payable to "MLABS EXCESS RIGHTS ISSUE ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side with your name in block letters and your CDS Account number, and must be received by our Share Registrar by 5.00 p.m. on **Tuesday, 29 August 2017**. The payment must be made for the exact amount payable for the Excess Rights Shares with Warrants B Application(s). Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

It is the intention of the Board to allot the Excess Rights Shares with Warrants B, if any, in a fair and equitable manner in the following priority:-

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

Notwithstanding the foregoing, the Board reserves the right to allot any Excess Rights Shares with Warrants B applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interests of the Company subject always to such allocation being made on a fair and equitable basis, and that the intention of the Board as set out in Section 11.6 (i), (ii), (iii) and (iv) above is achieved. The Board also reserves the right to allot any Excess Rights Shares with Warrants B Application, in full or in part, without assigning any reason thereof.

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

**NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE EXCESS RIGHTS SHARES WITH WARRANTS B APPLICATION OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

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

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS B APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE CLOSING DATE.**

#### **11.7 Procedures to be followed by transferee(s) and/or renouncee(s)**

As a transferee and/or renouncee, the procedures for acceptance, selling or transferring of Provisional Allotments, applying for the Excess Rights Shares with Warrants B and/or payment is the same as that which is applicable to Entitled Shareholders as described in Sections 11.3 to 11.6 of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this Abridged Prospectus and/or accompanying RSF, you can request the same from the registered office of MLABS, the Share Registrar or Bursa Securities' website (<http://www.bursamalaysia.com>).

**TRANSFEREE(S) AND/OR RENOUNCEE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.**

#### **11.8 CDS Account**

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

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

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

#### **11.9 Foreign-Addressed Shareholders**

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

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



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

As a result, this Abridged Prospectus, the NPA and the RSF have not been (and will not be) sent to our Foreign-Addressed Shareholders. However, Foreign-Addressed Shareholders may collect this Abridged Prospectus, the NPA and the RSF from the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200, Kuala Lumpur, who will be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting this Abridged Prospectus, the NPA and the RSF.

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

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

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

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

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

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

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

**12. TERMS AND CONDITIONS**

The issuance of the Rights Shares with Warrants B pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus, the Deed Poll B, the NPA and RSF.

**13. FURTHER INFORMATION**

You are requested to refer to the enclosed Appendices for further information.

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



**ONG TEE KEIN**  
Executive Director

**APPENDIX I - INFORMATION ON THE COMPANY****1. HISTORY AND PRINCIPAL ACTIVITIES**

MLABS was incorporated in Malaysia as a public limited company under the Companies Act, 1965 on 21 May 2004. The Company was listed on the Malaysian Exchange of Securities Dealing and Automated Quotation ("MESDAQ") Market of the Kuala Lumpur Stock Exchange (now known as the ACE Market of Bursa Securities) on 19 August 2005.

The principal activity of MLABS is investment holding. The principal activities of MLABS' subsidiaries are set out in Section 5 of this Appendix I.

**2. SHARE CAPITAL**

The Company's share capital as at the LPD is as follows:-

	No. of Shares	Total RM
Share capital	186,866,900	9,343,345.00

Details of the changes in the Company's issued share capital for the last 3 years prior to the LPD are as follows:-

Date of Allotment	No of Shares Allotted	Consideration / Type of Issue	Cumulative share capital (RM)
21.10.2014	16,987,900	Private placement of 16,987,900 new MLABS Shares at an issue price of RM0.10 each	18,686,690.00
26.02.2016	-	Par value reduction via the cancellation of RM0.05 of the par value of every ordinary share of RM0.10 each in the issued and paid-up share capital of the Company	9,343,345.00

**3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

Please refer to Section 9.3 of this Abridged Prospectus for information on the substantial shareholders' shareholdings before and after the Rights Issue with Warrants.

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**APPENDIX I - INFORMATION ON THE COMPANY (CONT'D)****4. DIRECTORS**

The details of the Board as at the LPD are as follows:-

<b>Name (Designation)</b>	<b>Age</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>
General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Retired) ( <i>Independent Non-Executive Director / Chairman</i> )	70	No. 6, Jalan Pungguk 6/4F Section 6 40000 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Mejar Dato' Ismail Bin Ahmad (R) ( <i>Executive Director</i> )	68	No. 2, Jalan Kapur 3/3 Seksyen 3 40000 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Ong Tee Kein ( <i>Executive Director</i> )	60	85, Medan Athinahapan Dua Taman Tun Dr. Ismail 60000 Kuala Lumpur	Malaysian	Accountant
Professor Dr. Sureswaran Ramadass ( <i>Non-Independent Non-Executive Director</i> )	51	14 Jalan Bayan Mutiara 10 D' Residence Bayan Lepas 11900 Penang	Malaysian	University Professor
Yee Yit Yang ( <i>Independent Non-Executive Director</i> )	50	15 Jalan Damai Rasa Alam Damai Cheras 56000 Kuala Lumpur	Malaysian	Company Director

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**APPENDIX I - INFORMATION ON THE COMPANY (CONT'D)**

Save as disclosed below, none of the Directors have any direct and/or indirect shareholding in the Company as at the LPD.

**Minimum Scenario**

Director	As at the LPD			(i) After the Rights Issue with Warrants				
	Direct		Indirect	Direct		Indirect		
	No. of shares	% <sup>(1)</sup>		No. of shares	% <sup>(2)</sup>		No. of shares	% <sup>(2)</sup>
Professor Dr. Sureswaran Ramadass	335,132	0.18	38,299 <sup>(4)</sup>	0.02	335,132	0.15	38,299 <sup>(4)</sup>	0.02
Ong Tee Kein	1,000,000	0.54			31,000,000	14.29		

Director	(ii) After (i) and assuming full exercise of the Warrants B			
	Direct		Indirect	
	No. of shares	% <sup>(3)</sup>		No. of shares
Professor Dr. Sureswaran Ramadass	335,132	0.14	38,299 <sup>(4)</sup>	0.02
Ong Tee Kein	46,000,000	19.84		

**Notes:-**

- (1) Based on the share capital of 186,866,900 MLABS Shares as at the LPD.
- (2) Based on the enlarged share capital of 216,866,900 MLABS Shares, under the Minimum Scenario.
- (3) Based on the enlarged share capital of 231,866,900 MLABS Shares, under the Minimum Scenario.
- (4) Deemed interested by virtue of his spouse's interest.

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## APPENDIX I - INFORMATION ON THE COMPANY (CONT'D)

Maximum Scenario

	(I)							
	As at the LPD		Assuming full granting and/or exercise of the Warrants A					
	Direct	Indirect	Direct	Indirect				
Director	No. of shares	% <sup>(1)</sup>	No. of shares	% <sup>(2)</sup>	No. of shares	% <sup>(2)</sup>		
Professor Dr. Sureswaran Ramadass	335,132	0.18	38,299 <sup>(5)</sup>	0.02	335,132	0.13	38,299 <sup>(5)</sup>	0.01
Ong Tee Kein	1,000,000	0.54			1,000,000	0.38		
	(II)				(III)			
	After the Rights Issue with Warrants		After (I), (II) and assuming full exercise of the Warrants B		After (I), (II) and assuming full exercise of the Warrants B		After (I), (II) and assuming full exercise of the Warrants B	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Director	No. of shares	% <sup>(3)</sup>	No. of shares	% <sup>(3)</sup>	No. of shares	% <sup>(4)</sup>	No. of shares	% <sup>(4)</sup>
Professor Dr. Sureswaran Ramadass	1,005,396	0.13	114,897 <sup>(5)</sup>	0.01	1,340,528	0.13	153,196 <sup>(5)</sup>	0.01
Ong Tee Kein	3,000,000	0.38			4,000,000	0.38		

Notes:-

- (1) Based on the share capital of 186,866,900 MLABS Shares as at the LPD.
- (2) Based on the enlarged share capital of 264,084,650 MLABS Shares, assuming all the 77,217,750 Warrants A are fully exercised.
- (3) Based on the enlarged share capital of 792,253,950 MLABS Shares, under the Maximum Scenario.
- (4) Based on the enlarged share capital of 1,056,338,600 MLABS Shares, under the Maximum Scenario.
- (5) Deemed interested by virtue of his spouse's interest.

**APPENDIX I - INFORMATION ON THE COMPANY (CONT'D)****5. SUBSIDIARIES**

The Company's subsidiaries as at the LPD are as follows:-

<b>Subsidiary</b>	<b>Date and place of incorporation</b>	<b>Share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Multimedia Research Lab Sdn Bhd	28.7.1997; Malaysia	RM5,000,000.00	100.00	Business of R&D in multimedia video conferencing system as well as assembling and trading of multimedia video conferencing system and equipment.
Pacifica Direct Sdn Bhd	25.8.1997; Malaysia	RM200,000.00	51.00	Trading of white goods such as kitchen equipment and appliances.
Next Gen Biosciences Sdn Bhd	18.9.2007; Malaysia	RM10.00	100.00	Dormant

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**APPENDIX I - INFORMATION ON THE COMPANY (CONT'D)****6. PROFIT AND DIVIDEND RECORD**

The profit and dividend records based on the audited consolidated financial statements of the Group for the FYE 31 March 2017, 15-month FPE 31 March 2016 and the FYE 31 December 2014 are as follows:-

	<b>Audited</b>		
	<b>FYE 31 December 2014</b>	<b>15-month FPE 31 March 2016</b>	<b>FYE 31 March 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	1,988	3,485	2,512
Cost of sales	(1,874)	(1,949)	(1,013)
<b>Gross profit</b>	<b>114</b>	<b>1,536</b>	<b>1,499</b>
Other income	84	192	232
Selling and distribution expenses	(47)	(25)	(29)
Administrative expenses	(1,021)	(1,866)	(1,692)
Other expenses	(314)	(345)	(377)
Finance costs	(5)	(3)	(2)
<b>LBT</b>	<b>(1,189)</b>	<b>(511)</b>	<b>(369)</b>
Tax expense	(6)	-	-
<b>LAT</b>	<b>(1,195)</b>	<b>(511)</b>	<b>(369)</b>
Loss attributable to:-			
- owners of the parent	(1,187)	(438)	(205)
- minority interest	(8)	(73)	(164)
EBITDA	(948)	(246)	19
Gross profit margin (%)	5.73	44.07	59.67
LAT margin (%)	(60.08)	(14.66)	(14.69)
Weighted average number of Shares ('000)	173,230	186,867	186,867
LPS			
- basic (sen) <sup>(1)</sup>	(0.69)	(0.23)	(0.11)
- diluted (sen) <sup>(2)</sup>	(0.69)	(0.23)	(0.11)
Dividend (sen)	-	-	-

**Notes:-**

- (1) Basic LPS is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of Shares outstanding during the financial year, excluding treasury shares held by the Company.
- (2) The Group has no dilution in its loss per ordinary share as the exercise price of the outstanding warrants has exceeded the average market price of ordinary shares during the financial year/period, the options do not have any dilutive effect on the weighted average number of ordinary shares.

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**APPENDIX I - INFORMATION ON THE COMPANY (CONT'D)**

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**Commentary on past financial performance:-****(i) FYE 31 March 2017 vs 15-month FPE 31 March 2016**

Revenue for the FYE 31 March 2017 decreased by approximately RM1.0 million as compared to the 15-month FPE 31 March 2016 (the annualised revenue for the 15-month FPE 31 March 2016 was approximately RM2.8 million, representing a decrease in revenue of approximately RM0.3 million or 9.9% on an annualised basis). The decrease in revenue was mainly due to lower contribution by Pacifica Direct Sdn Bhd, the Company's 51%-owned subsidiary which is involved in trading of white goods such as kitchen equipment and appliances.

The Group has also recorded a higher GP margin of 59.7% in the FYE 31 March 2017 as compared to the GP margin of 44.1% recorded in the 15-month FPE 31 March 2016. The increase in GP margin was mainly due to higher sale of the Group's mobile conference application; Let's Talk, which has a higher profit margin. For the FYE 31 March 2017, Let's Talk contributed to approximately 60% of the Group's total revenue as compared to 34% in the 15-month FPE 31 March 2016.

The Group incurred a LAT of RM0.4 million in FYE 31 March 2017 as compared to RM0.5 million in 15-month FPE 31 March 2016 (the annualised LAT for the 15-month FPE 31 March 2016 was approximately RM0.4 million, representing a decrease in LAT of approximately 9.8% on an annualised basis). The decrease in LAT was mainly attributable to lower administrative expenses as well as an increase in other income from the recovery of impaired debt and disposal of a motor vehicle in the current year.

**(ii) 15-month FPE 31 March 2016 vs. FYE 31 December 2014**

The Group's revenue increased by approximately RM1.5 million for the 15-month FPE 31 March 2016 as compared to FYE 31 December 2014 (the annualised revenue for the 15-month FPE 31 March 2016 was approximately RM2.8 million, representing an increase in revenue of approximately RM0.8 million or 40.2% on an annualised basis). The increase in revenue was mainly due to the Company's launch of the Standard Mobile Application during the 15-month FPE 31 March 2016 where the Company had managed to sell 2,000 user licenses for the Standard Mobile Application during that financial period. The launch of the Standard Mobile Application also led to an increase in administrative expenses.

Further, the Group had recorded a higher GP margin of 44.1% in the 15-month FPE 31 March 2016 as compared to the GP margin of 5.7% recorded in the FYE 31 December 2014 which stemmed from the launch of the Standard Mobile Application during the 15-month FPE 31 March 2016. The development costs for the Standard Mobile Application was capitalised as intangible asset; such costs are not reflected in the cost of sales but rather amortised. As such, the cost of sales for the Standard Mobile Application is on the whole lower, which led to the Company's higher profit margin when compared to FYE 31 December 2014, where the Company mainly sold videoconferencing products.

Following the increase in the Group's revenue and GP, the Group recorded a lower LAT of RM0.5 million in the 15-month FPE 31 March 2016 as compared to the FYE 31 December 2014 (the annualised LAT for the 15-month FPE 31 March 2016 was approximately RM0.4 million, representing a decrease in LAT of approximately RM0.8 million or 66.5% on an annualised basis).

**APPENDIX I - INFORMATION ON THE COMPANY (CONT'D)****7. HISTORICAL SHARE PRICES**

The monthly highest and lowest market prices of MLABS Shares traded on Bursa Securities for the past 12 months up to July 2017 (being the last full trading month prior to the date of this Abridged Prospectus) are as follows:-

	<b>High (RM)</b>	<b>Low (RM)</b>
<b>2016</b>		
August	0.115	0.085
September	0.090	0.075
October	0.085	0.070
November	0.095	0.065
December	0.075	0.065
<b>2017</b>		
January	0.090	0.070
February	0.080	0.065
March	0.120	0.075
April	0.145	0.095
May	0.130	0.100
June	0.125	0.100
July	0.465	0.120

**RM**

Last transacted market price on 4 May 2017, being the last Market Day immediately prior to the first announcement of the Corporate Exercises 0.110

Last transacted market price as at the LPD 0.350

Last transacted market price on 8 August 2017, being the Market Day immediately prior to the ex-date for the Rights Issue with Warrants 0.150

(Source: Bloomberg)

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**APPENDIX II – CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM HELD ON 8 JUNE 2017**

**MLABS SYSTEMS BERHAD (653227-V)**  
(Incorporated in Malaysia)

**EXTRACT OF THE MINUTES OF EXTRAORDINARY GENERAL MEETING  
HELD ON 8 JUNE 2017**

**ORDINARY RESOLUTION**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 528,169,300 NEW ORDINARY SHARES IN MLABS (“MLABS SHARES” OR “SHARES”) (“RIGHTS SHARES”) TOGETHER WITH UP TO 264,084,650 FREE DETACHABLE WARRANTS IN MLABS (“WARRANTS B”), ON THE BASIS OF 2 RIGHTS SHARES TOGETHER WITH 1 FREE WARRANT B FOR EVERY 1 EXISTING MLABS SHARE HELD BY ENTITLED SHAREHOLDERS OF MLABS (“SHAREHOLDERS”) ON AN ENTITLEMENT DATE TO BE DETERMINED LATER**

**THAT** subject to the approval of all relevant regulatory authorities or parties being obtained (if required), including but not limited to the approval-in-principle of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing and quotation of the rights shares and the warrants to be issued hereunder and the new ordinary shares in the Company to be issued pursuant to the conversion of the aforesaid warrants, the Board of Directors of the Company (“**Board**”) be and is hereby authorised to:-

- (i) provisionally allot and issue by way of a renounceable rights issue of up to 528,169,300 new ordinary shares in the Company (“**MLABS Shares**” or “**Shares**”) (“**Rights Shares**”) together with up to 264,084,650 free detachable warrants (“**Warrants B**”) to the Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined by the Board (“**Entitlement Date**”) (“**Entitled Shareholders**”), and/or their renounee(s), on the basis of 2 Rights Shares with 1 free Warrant for every 1 existing Share held 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 (“**Proposed Rights Issue with Warrants**”);
- (ii) enter into and execute the deed poll (“**Deed Poll**”) and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll wherein each of the Warrant will carry the rights to subscribe, subject to any adjustment in accordance with the Deed Poll to be executed, at any time during the “**Exercise Period**” as defined in the Deed Poll, for 1 new Share at an exercise price to be determined by the Board at a later date;
- (iii) allot and issue such number of additional Warrants B pursuant to adjustments as provided under the Deed Poll (“**Additional Warrants B**”) and to adjust from time to time the exercise price of the Warrants B as a consequence of the adjustments under the provisions of the Deed Poll and/or to effect such modifications, variations and/or amendments as may be imposed, required or permitted by Bursa Securities and any other relevant authorities or parties (if required); and
- (iv) allot and issue such number of new Shares credited as fully paid-up to the holders of the Warrants B upon their exercise of the relevant Warrants B to subscribe for new Shares during the tenure of the Warrants B, and such further new Shares as may be required or permitted to be issued pursuant to the exercise of the Additional Warrants B and such adjustments in accordance with the provisions of the Deed Poll.

**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;

**APPENDIX II – CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM HELD ON 8 JUNE 2017 (CONT'D)**

**MLABS SYSTEMS BERHAD (653227-V)**

(Incorporated in Malaysia)

Extract of the Minutes of Extraordinary General Meeting Held on 8 June 2017

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

**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 19 May 2017 ("**Circular**") 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;

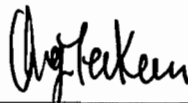
**THAT** the Rights Shares shall, upon allotment, issuance and (where applicable) full payment, rank *pari passu* in all respects with the then existing issued shares, save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares;

**THAT** the new Shares to be issued pursuant to the exercise of the Warrants B (including the Additional Warrants B, if any) shall, upon allotment, issuance and full payment of the exercise price of the Warrants B (or the Additional Warrants B, if any), rank *pari passu* in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of such new Shares arising from the exercise of the Warrants B (including the Additional Warrants B, if any);

**AND THAT** this Ordinary Resolution constitutes specific approval for the issuance of Shares and 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 B (including Additional Warrants B, if any) and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants.

Dated: 21 JUL 2017

**CERTIFIED TRUE & CORRECT**



**DIRECTOR**

**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON**



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The Board of Directors  
Mlabs Systems Berhad  
Lot 10.3, 10th Floor, Menara Lien Hoe,  
8, Persiaran Tropicana,  
Tropicana Golf & Country Resort,  
47410 Petaling Jaya  
Selangor Darul Ehsan

Date: 28 July 2017

Dear Sirs,

**MLABS SYSTEMS BERHAD (“MLABS” OR “THE COMPANY”) AND ITS SUBSIDIARIES (“THE GROUP”) REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 MARCH 2017**

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of MLABS and its subsidiary companies (collectively defined as “the Group”) as at 31 March 2017 and its related notes prepared by the Board of Directors of MLABS.

The pro forma consolidated financial information consists of the pro forma consolidated statements of financial position of the Group and its related notes as at 31 March 2017, as set out in the accompanying attachment and stamped by us for the purposes of identification, have been compiled by the Directors of the Company for inclusion in the Abridged Prospectus to be issued in connection with the Group’s:-

- (i) renounceable rights issue of up to 528,169,300 new ordinary shares in MLABS (“MLABS Shares” or “Shares”) (“Rights Shares”) together with up to 264,084,650 free detachable warrants in MLABS (“Warrants B”) on the basis of two (2) rights shares together with one (1) free warrant B for every one (1) existing MLABS share held by entitled shareholders of MLABS at 5.00P.M. on 11 August 2017 (“Rights Issue with Warrants”).

The applicable criteria on the basis of which the Board of Directors of MLABS have compiled the pro forma consolidated financial information are described in Note 1 and Note 2 of the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by the Board of Directors of MLABS to illustrate the impact of the event or transaction set out in Note 2 on the Group’s consolidated financial information as at 31 March 2017.

As part of this process, information about the Group’s consolidated financial information has been extracted by the Board of Directors of MLABS from the Group’s audited consolidated financial statements for the year ended 31 March 2017.

#### **Directors’ Responsibilities**

The Board of Directors of MLABS are responsible for preparing the pro forma consolidated financial information on the basis of applicable criteria.

**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

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**MLABS SYSTEMS BERHAD (“MLABS” OR “THE COMPANY”)  
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT  
31 MARCH 2017 (continued)**

**Our Responsibilities**

Our responsibilities is to express an opinion about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Board of Directors of MLABS on the basis set out in the notes thereon.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of MLABS has compiled, in all material respects, the pro forma consolidated financial information on the basis set out in the notes thereon.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of the pro forma consolidated financial information included in the Abridged Prospectus of the Company is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of MLABS in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated financial information reflect the proper application of those adjustments to the unadjusted financial information.

**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**



**MLABS SYSTEMS BERHAD (“MLABS” OR “THE COMPANY”)  
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT  
31 MARCH 2017 (continued)**

**Our Responsibilities (continued)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

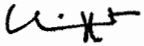
**Opinion**

In our opinion, the pro forma consolidated financial information has been properly compiled, in all material respects, on the basis of applicable criteria.

**Other Matter**

This report is issued solely for the purpose of inclusion in the Abridged Prospectus in connection with the abovementioned Rights Issue with Warrants. As such, this letter is not to be used, circulated, quoted or otherwise referred to, for any other purposes nor is it to be filed with, reproduced, copied, disclosed or referred, in whole or in part, in any other document.

  
**BDO**  
AF : 0206  
Chartered Accountants

  
**Law Kian Huat**  
2855/06/18 (J)  
Chartered Accountant

28 July 2017  
Kuala Lumpur

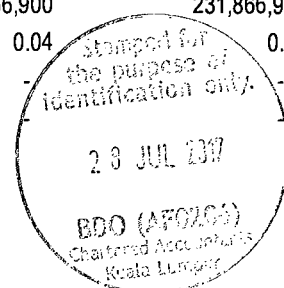


**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

Appendix I

**MIabs Systems Berhad****Pro forma Consolidated Statements of Financial Position as at 31 March 2017**

		<u>Minimum Scenario</u>		
	(I)	(II)	(III)	
	Notes	Audited as at 31.03.2017	After (I) and the Rights Issue with Warrants	After (I), (II) and upon full exercise of the Warrants B
		RM	RM	RM
<b>Non - Current Assets</b>				
Property, plant and equipment		869,313	869,313	869,313
Intangible assets		1,817,000	1,817,000	1,817,000
Other investment		12,851	12,851	12,851
		<u>2,699,164</u>	<u>2,699,164</u>	<u>2,699,164</u>
<b>Current Assets</b>				
Inventories		175,740	175,740	175,740
Trade receivables		2,045,563	2,045,563	2,045,563
Other receivables		192,112	192,112	192,112
Cash and bank balances	3	137,552	3,907,552	6,157,552
		<u>2,550,967</u>	<u>6,320,967</u>	<u>8,570,967</u>
<b>Total Assets</b>		<u>5,250,131</u>	<u>9,020,131</u>	<u>11,270,131</u>
<b>Equity</b>				
Share capital	4	9,343,345	10,316,845	16,093,345
Share premium		-	-	-
Fair value adjustment reserve		544	544	544
Warrants reserve	5	-	3,526,500	-
Accumulated losses	6	(4,394,833)	(5,124,833)	(5,124,833)
<b>Equity attributable to owners of the parent</b>		<u>4,949,056</u>	<u>8,719,056</u>	<u>10,969,056</u>
Non-controlling interests		(153,033)	(153,033)	(153,033)
<b>Total</b>		<u>4,796,023</u>	<u>8,566,023</u>	<u>10,816,023</u>
<b>Current Liabilities</b>				
Trade payables		1,438	1,438	1,438
Other payables		443,808	443,808	443,808
Amount owing to a Director		800	800	800
Finance lease liabilities		-	-	-
Tax payables		8,062	8,062	8,062
<b>Total Liabilities</b>		<u>454,108</u>	<u>454,108</u>	<u>454,108</u>
<b>Total Equity and Liabilities</b>		<u>5,250,131</u>	<u>9,020,131</u>	<u>11,270,131</u>
Number of Shares		186,866,900	216,866,900	231,866,900
Net assets per share		0.03	0.04	0.05
Total borrowings		-	-	-
Gearing (times)		-	-	-

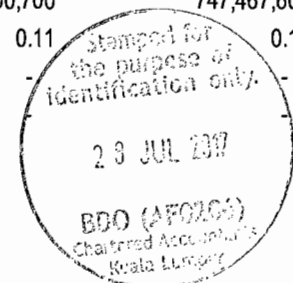


**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

Appendix I

**MIabs Systems Berhad****Pro forma Consolidated Statements of Financial Position as at 31 March 2017**

	Notes	Base Case Scenario		
		(I) Audited as at 31.03.2017 RM	(II) After (I) and the Rights Issue with Warrants RM	(III) After (I), (II) and upon full exercise of the Warrants B RM
<b>Non - Current Assets</b>				
Property, plant and equipment		869,313	869,313	869,313
Intangible assets		1,817,000	1,817,000	1,817,000
Other investment		12,851	12,851	12,851
		<u>2,699,164</u>	<u>2,699,164</u>	<u>2,699,164</u>
<b>Current Assets</b>				
Inventories		175,740	175,740	175,740
Trade receivables		2,045,563	2,045,563	2,045,563
Other receivables		192,112	192,112	192,112
Cash and bank balances	3	137,552	55,467,622	83,497,657
		<u>2,550,967</u>	<u>57,881,037</u>	<u>85,911,072</u>
<b>Total Assets</b>		<u>5,250,131</u>	<u>60,580,201</u>	<u>88,610,236</u>
<b>Equity</b>				
Share capital	4	9,343,345	21,471,007	93,433,450
Share premium		-	-	-
Fair value adjustment reserve		544	544	544
Warrants reserve	5	-	43,932,408	-
Accumulated losses	6	(4,394,833)	(5,124,833)	(5,124,833)
<b>Equity attributable to owners of the parent</b>		<u>4,949,056</u>	<u>60,279,126</u>	<u>88,309,161</u>
Non-controlling interests		(153,033)	(153,033)	(153,033)
<b>Total</b>		<u>4,796,023</u>	<u>60,126,093</u>	<u>88,156,128</u>
<b>Current Liabilities</b>				
Trade payables		1,438	1,438	1,438
Other payables		443,808	443,808	443,808
Amount owing to a Director		800	800	800
Finance lease liabilities		-	-	-
Tax payables		8,062	8,062	8,062
<b>Total Liabilities</b>		<u>454,108</u>	<u>454,108</u>	<u>454,108</u>
<b>Total Equity and Liabilities</b>		<u>5,250,131</u>	<u>60,580,201</u>	<u>88,610,236</u>
Number of Shares		186,866,900	560,600,700	747,467,600
Net assets per share		0.03	0.11	0.12
Total borrowings		-	-	-
Gearing (times)		-	-	-



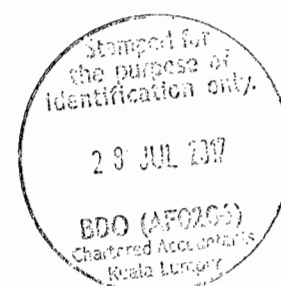
**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

## Appendix I

Mlabs Systems Berhad

Pro forma Consolidated Statements of Financial Position as at 31 March 2017

Notes	(I) Audited as at 31.03.2017 RM	Maximum Scenario		(IV) After (I),(II), (III) and upon full exercise of the Warrants B RM
		(II) Assuming full granting/exercise of existing Warrants A RM	(III) After (I), (II) and the Rights Issue with Warrants RM	
<b>Non - Current Assets</b>				
Property, plant and equipment	869,313	869,313	869,313	869,313
Intangible assets	1,817,000	1,817,000	1,817,000	1,817,000
Other investment	12,851	12,851	12,851	12,851
	<u>2,699,164</u>	<u>2,699,164</u>	<u>2,699,164</u>	<u>2,699,164</u>
<b>Current Assets</b>				
Inventories	175,740	175,740	175,740	175,740
Trade receivables	2,045,563	2,045,563	2,045,563	2,045,563
Other receivables	192,112	192,112	192,112	192,112
Cash and bank balances	3 137,552	7,859,327	86,354,722	125,967,420
	<u>2,550,967</u>	<u>10,272,742</u>	<u>88,768,137</u>	<u>128,380,835</u>
<b>Total Assets</b>	<u>5,250,131</u>	<u>12,971,906</u>	<u>91,467,301</u>	<u>131,079,999</u>
<b>Equity</b>				
Share capital	4 9,343,345	17,065,120	34,204,214	135,903,213
Share premium	-	-	-	-
Fair value adjustment reserve	544	544	544	544
Warrants reserve	5 -	-	62,086,301	-
Accumulated losses	6 (4,394,833)	(4,394,833)	(5,124,833)	(5,124,833)
<b>Equity attributable to owners of the parent</b>	<u>4,949,056</u>	<u>12,670,831</u>	<u>91,166,226</u>	<u>130,778,924</u>
Non-controlling interests	(153,033)	(153,033)	(153,033)	(153,033)
<b>Total</b>	<u>4,796,023</u>	<u>12,517,798</u>	<u>91,013,193</u>	<u>130,625,891</u>
<b>Current Liabilities</b>				
Trade payables	1,438	1,438	1,438	1,438
Other payables	443,808	443,808	443,808	443,808
Amount owing to a Director	800	800	800	800
Finance lease liabilities	-	-	-	-
Tax payables	8,062	8,062	8,062	8,062
<b>Total Liabilities</b>	<u>454,108</u>	<u>454,108</u>	<u>454,108</u>	<u>454,108</u>
<b>Total Equity and Liabilities</b>	<u>5,250,131</u>	<u>12,971,906</u>	<u>91,467,301</u>	<u>131,079,999</u>
Number of Shares	186,866,900	264,084,650	792,253,950	1,056,338,600
Net assets per share	0.03	0.05	0.12	0.12
Total borrowings	-	-	-	-
Gearing (times)	-	-	-	-



**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

Appendix I

**MLABS SYSTEMS BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****1. BASIS OF PREPARATION**

The pro forma consolidated statements of financial position have been prepared based on the audited financial statements of Mlabs Systems Berhad (“MLABS” or “the Company”) and its subsidiary companies (“the Group”) for the financial year ended 31 March 2017 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of the Group.

The pro forma consolidated statements of financial position of the Group have been prepared for illustrative purpose only, to show the effects on the audited consolidated statement of financial position of the Group as at 31 March 2017, had the adjustments described in Note 2 been effected on that date, and should be read in conjunction with the notes thereto.

**2. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017**

The pro forma consolidated statements of financial position have been prepared assuming the following events were effected on 31 March 2017:-

**Renounceable Rights Issue with Free Detachable Warrants**

The renounceable rights issue of up to 528,169,300 new ordinary shares in MLABS (“MLABS Shares” or “Shares”) (“Rights Shares”) together with up to 264,084,650 free detachable warrants in MLABS (“Warrants B”) on the basis of two (2) rights shares together with one (1) free warrant B for every one (1) existing MLABS share held by entitled shareholders of MLABS at 5.00P.M. on 11 August 2017 (“Rights Issue with Warrants”) to be undertaken by the Group are presented in three (3) scenarios as follows:-

**Minimum Scenario:** Assuming none of the outstanding 77,217,750 MLABS Warrants A is exercised and only the undertaking shareholder subscribes in full for his entitlement to the Rights Shares of 30,000,000 MLABS Shares and 15,000,000 MLABS Warrants B.

**Base Case Scenario:** Assuming none of the outstanding 77,217,750 MLABS Warrants A is exercised and all the entitled shareholders subscribe for their respective entitlements to the Rights Shares of 373,733,800 MLABS Shares and 186,866,900 MLABS Warrants B.

**Maximum Scenario:** Assuming all the outstanding 77,217,750 MLABS Warrants A are exercised and all the entitled shareholders subscribe in full for their respective entitlements to the Rights Shares of 528,169,300 MLABS Shares and 264,084,650 MLABS Warrants B.



**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

Appendix I

MLABS SYSTEMS BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**2. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017 (CONTINUED)**

The gross proceeds to be raised from the Rights Issue with Warrants will be utilised as follows:-

	Minimum Scenario (RM'000)	<sup>(1)</sup> Base Case Scenario (RM'000)	<sup>(1)(2)</sup> Maximum Scenario (RM'000)
Development and marketing for mobile application	4,000	10,000	10,000
Working capital	-	5,000	7,000
Acquisition and/or investment in other complementary businesses and/or assets	-	40,330	61,495
Estimated expenses for the Corporate Exercises	500	730	730
<b>Total gross proceeds to be raised</b>	<b>4,500</b>	<b>56,060</b>	<b>79,225</b>

Notes:-

(1) Any additional proceeds raised in excess of the RM4.5 million under the Minimum Scenario will be allocated up to its respective maximum allocation in the following order:-

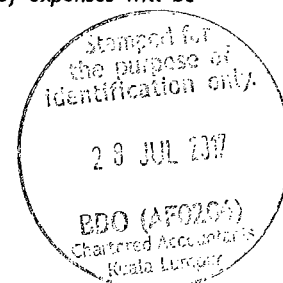
- (i) estimated expenses for the Corporate Exercises;
- (ii) development and marketing for mobile application;
- (iii) working capital; and
- (iv) acquisition and/or investment in other complementary businesses and/or assets.

(2) The Board wishes to highlight that the illustrative amount of up to approximately RM79.2 million that will be raised under the Maximum Scenario is based on the assumption that all the outstanding Warrants A are exercised prior to the Entitlement Date.

The Board is of the view that based on the timeline for implementation of the Rights Issue with Warrants, it is unlikely for all the outstanding Warrants A to be exercised prior to the Entitlement Date in view that the remaining tenure of approximately 3 years from 12 July 2017, being latest practicable date ("LPD") for the Warrants A (expiring on 26 April 2020).

(3) Under the Minimum Scenario, the balance of RM230,000 (difference between RM730,000 and RM500,000) of estimated expenses for the Corporate Exercises shall be funded via internally generated funds.

(4) If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for working capital. Conversely, any surplus of funds following payment of expenses will be utilised for working capital purposes.



**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

Appendix I

MLABS SYSTEMS BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**2. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017 (CONTINUED)**

**Minimum Scenario****Pro forma II - After (I) and the Rights Issue with Warrants**

Pro forma II incorporates the effects of the rights issue of 30,000,000 Rights Shares at an illustrative issue price of RM0.15 each and 15,000,000 MLABS Warrants B at an allocated fair value of RM0.2351 each assuming that none of the outstanding 77,217,750 MLABS Warrants A is exercised and only the undertaking shareholder subscribes in full for his entitlement to the Rights Shares.

The theoretical fair value of RM0.2351 per Warrant, determined using the Trinomial option pricing model, is estimated based on the following data sourced from Bloomberg:

(i) Share price	RM0.2771 per Share
(ii) Exercise price (theoretical ex-rights price)	RM0.15 per Warrant
(iii) Tenure	3 years
(iv) Risk free interest rate	3.686%

**Pro forma III - After (I), (II) and upon full exercise of the Warrants B**

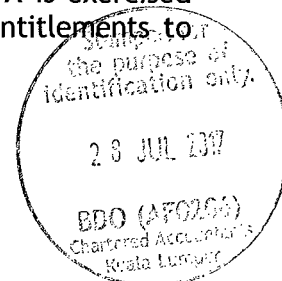
Pro forma III incorporates the effects of Pro forma II and assumes that 15,000,000 MLABS Warrants B are fully exercised at an illustrative issue price of RM0.15 each assuming that none of the outstanding 77,217,750 MLABS Warrants A is exercised and only the undertaking shareholder subscribes in full for his entitlement to the Rights Shares and Warrants B.

**Base Case Scenario****Pro forma II - After (I) and the Rights Issue with Warrants**

Pro forma II incorporates the effects of the rights issue of 373,733,800 Rights Shares at an illustrative issue price of RM0.15 each and 186,866,900 MLABS Warrants B at an allocated fair value of RM0.2351 each assuming that none of the outstanding 77,217,750 MLABS Warrants A is exercised and all the entitled shareholders subscribe for their respective entitlements to the Rights Shares.

**Pro forma III - After (I), (II) and upon full exercise of the Warrants B**

Pro forma III incorporates the effects of Pro forma II and assumes that 186,866,900 MLABS Warrants B are fully exercised at an illustrative issue price of RM0.15 each assuming that none of the outstanding 77,217,750 MLABS Warrants A is exercised and only the entitled shareholders subscribe for their respective entitlements to the Rights Shares and Warrants B.



**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

Appendix I

MLABS SYSTEMS BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**2. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017 (CONTINUED)**

**Maximum Scenario**

**Pro forma II - Assuming full granting/exercise of existing Warrants A**

Pro forma II incorporates the effects of full exercise of 77,217,750 outstanding MLABS Warrants A in new MLABS Shares at the exercise price of RM0.10 each.

**Pro forma III - After (I), (II) and the Rights Issue with Warrants**

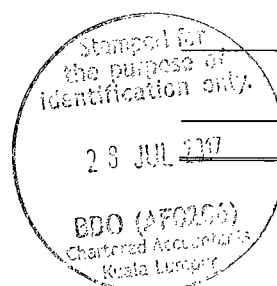
Pro forma III incorporates the effects of Pro forma II, the rights issue of 528,169,300 Rights Shares at an illustrative issue price of RM0.15 each and 264,084,650 MLABS Warrants B at an allocated fair value of RM0.2351 each assuming all the entitled shareholders subscribe in full for their respective entitlements to the Rights Shares.

**Pro forma IV - After (I),(II), (III) and upon full exercise of the Warrants B**

Pro forma IV incorporates the effects of Pro forma II, Pro forma III and assumes that 264,084,650 MLABS Warrants B are fully exercised at an illustrative issue price of RM0.15 each assuming all the entitled shareholders subscribe in full for their respective entitlements to the Rights Shares and Warrants B.

**3. CASH AND BANK BALANCES**

	Minimum Scenario RM
Audited as at 31 March 2017	137,552
Proceeds from the Rights Issue with Warrants	4,500,000
Estimated expenses for the Rights Issue with Warrants	(730,000)
As per Pro forma II	<u>3,907,552</u>
Assuming full exercise of the MLABS Warrants B	<u>2,250,000</u>
As per Pro forma III	<u>6,157,552</u>
	Base Case Scenario RM
Audited as at 31 March 2017	137,552
Proceeds from the Rights Issue with Warrants	56,060,070
Estimated expenses for the Rights Issue with Warrants	(730,000)
As per Pro forma II	<u>55,467,622</u>
Assuming full exercise of the MLABS Warrants B	<u>28,030,035</u>
As per Pro forma III	<u>83,497,657</u>



**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

Appendix I

## MLABS SYSTEMS BERHAD

## NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## 3. CASH AND BANK BALANCES (CONTINUED)

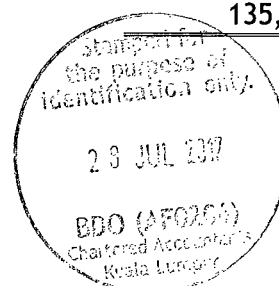
	Maximum Scenario RM
Audited as at 31 March 2017	137,552
Assuming full exercise of the existing MLABS Warrants A	7,721,775
As per Pro forma II	<u>7,859,327</u>
Proceeds from the Rights Issue with Warrants	79,225,395
Estimated expenses for the Rights Issue with Warrants	<u>(730,000)</u>
As per Pro forma III	86,354,722
Assuming full exercise of the MLABS Warrants B	39,612,698
As per Pro forma IV	<u><u>125,967,420</u></u>

## 4. SHARE CAPITAL

	Minimum Scenario RM
Audited as at 31 March 2017	9,343,345
Rights Issue with Warrants	973,500
As per Pro forma II	<u>10,316,845</u>
Assuming full exercise of the MLABS Warrants B	5,776,500
As per Pro forma III	<u><u>16,093,345</u></u>

	Base Case Scenario RM
Audited as at 31 March 2017	9,343,345
Rights Issue with Warrants	12,127,662
As per Pro forma II	<u>21,471,007</u>
Assuming full exercise of the MLABS Warrants B	71,962,443
As per Pro forma III	<u><u>93,433,450</u></u>

	Maximum Scenario RM
Audited as at 31 March 2017	9,343,345
Assuming full exercise of the existing MLABS Warrants A	7,721,775
As per Pro forma II	<u>17,065,120</u>
Rights Issue with Warrants	17,139,094
As per Pro forma III	<u>34,204,214</u>
Assuming full exercise of the MLABS Warrants B	101,698,999
As per Pro forma IV	<u><u>135,903,213</u></u>





**APPENDIX III – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

Appendix I

## MLABS SYSTEMS BERHAD

## NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## 5. WARRANTS RESERVE

	Minimum Scenario RM
Audited as at 31 March 2017	-
Rights Issue with Warrants	3,526,500
As per Pro forma II	<u>3,526,500</u>
Assuming full exercise of the MLABS Warrants B	<u>(3,526,500)</u>
As per Pro forma III	-
	Base Case Scenario RM
Audited as at 31 March 2017	-
Rights Issue with Warrants	43,932,408
As per Pro forma II	<u>43,932,408</u>
Assuming full exercise of the MLABS Warrants B	<u>(43,932,408)</u>
As per Pro forma III	-
	Maximum Scenario RM
Audited as at 31 March 2017/As per Pro forma II	-
Rights Issue with Warrants	62,086,301
As per Pro forma III	<u>62,086,301</u>
Assuming full exercise of the MLABS Warrants B	<u>(62,086,301)</u>
As per Pro forma IV	-

## 6. ACCUMULATED LOSSES

	Minimum Scenario RM
Audited as at 31 March 2017	(4,394,833)
Estimated expenses for the Rights Issue with Warrants	(730,000)
As per Pro forma II & III	<u>(5,124,833)</u>
	Base Case Scenario RM
Audited as at 31 March 2017	(4,394,833)
Estimated expenses for the Rights Issue with Warrants	(730,000)
As per Pro forma II & III	<u>(5,124,833)</u>
	Maximum Scenario RM
Audited as at 31 March 2017/As per Pro forma II	(4,394,833)
Estimated expenses for the Rights Issue with Warrants	(730,000)
As per Pro forma III & IV	<u>(5,124,833)</u>

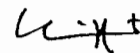


**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017**

**MLABS SYSTEMS BERHAD (653227 - V)  
(Incorporated in Malaysia)**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS  
31 MARCH 2017**

**Certified True Copy**



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Law Kian Huat  
2855/06/18 (J)  
Chartered Accountant

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**MLABS SYSTEMS BERHAD (653227 - V)**

(Incorporated in Malaysia)

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**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

1

**MLABS SYSTEMS BERHAD (653227 - V)**

(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

**PRINCIPAL ACTIVITIES**

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

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

**CHANGE IN FINANCIAL YEAR END**

In previous financial period, the financial year end of the Company was changed from 31 December to 31 March. Accordingly, the previous financial statements were prepared for fifteen months from 1 January 2015 to 31 March 2016. As a result, the comparative figures stated in the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows and the related notes are not comparable.

**RESULTS**

	<b>Group RM</b>	<b>Company RM</b>
Loss for the financial year	<u>368,914</u>	<u>835,232</u>
Attributable to:		
Owners of the parent	204,899	835,232
Non-controlling interests	<u>164,015</u>	<u>-</u>
	<u>368,914</u>	<u>835,232</u>

**DIVIDEND**

No dividend has been paid, declared or proposed by the Company since the end of the previous financial period. The Board of Directors do not recommend any payment of final dividend for the financial year ended 31 March 2017.

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act 2016 as disclosed in Note 13 and 14 to the financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**ISSUE OF SHARES AND DEBENTURES**

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

**OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

**WARRANTS 2010/2020**

The Warrants 2010/2020 were constituted under the Deed Poll dated 26 April 2010. As at 31 March 2017, the total number of Warrants that remain unexercised were 77,217,750.

The salient features and other terms of the Warrants are disclosed in Note 13 to the financial statements.

**DIRECTORS**

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

Mlabs Systems Berhad

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

Subsidiaries of Mlabs Systems Berhad

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

**DIRECTORS' INTERESTS**

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 March 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	-- Number of ordinary shares --			Balance as at 31.3.2017
	Balance as at 1.4.2016	Acquired	Disposed	
<b>Shares in the Company</b>				
<b>Direct interest:</b>				
Professor Dr. Sureswaran Ramadass	565,132	-	(50,000)	515,132
<b>Deemed interest:</b>				
Professor Dr. Sureswaran Ramadass <sup>#</sup>	38,299	-	-	38,299

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**DIRECTORS' INTERESTS (continued)**

-- Number of warrants 2010/2020 --

	<b>Balance as at 1.4.2016</b>	<b>Acquired</b>	<b>Disposed</b>	<b>Balance as at 31.3.2017</b>
<b>Deemed interest:</b>				
Professor Dr. Sureswaran Ramadass <sup>#</sup>	100	-	-	100

<sup>#</sup> *Deemed interest by virtue of shares held by spouse.*

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

**DIRECTORS' BENEFITS**

Since the end of the previous financial period, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the transactions entered into in the ordinary course of business with companies in which the Directors of the Company have substantial financial interests as disclosed in Note 28 to the financial statements.

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

**DIRECTORS' REMUNERATION**

Fees and other benefits of the Directors who held office during the financial year ended 31 March 2017 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>1.4.2016 to 31.3.2017 RM</b>	<b>1.1.2015 to 31.3.2016 RM</b>	<b>1.4.2016 to 31.3.2017 RM</b>	<b>1.1.2015 to 31.3.2016 RM</b>
Fees	126,000	151,500	48,000	60,000
Salaries	28,000	42,500	-	-
	<u>154,000</u>	<u>194,000</u>	<u>48,000</u>	<u>60,000</u>

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

4

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY****(I) AS AT THE END OF THE FINANCIAL YEAR**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than reversal of impairment loss on amount due from subsidiaries of RM 13,982,770 and amount due from subsidiaries written off of RM 14,029,766 at the Company level as disclosed in Note 24 to the financial statements.

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

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

**(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

5

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY  
(continued)**

**(III) AS AT THE DATE OF THIS REPORT (continued)**

- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

**SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

Significant event during the financial year is disclosed in Note 29 to the financial statements.

**SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

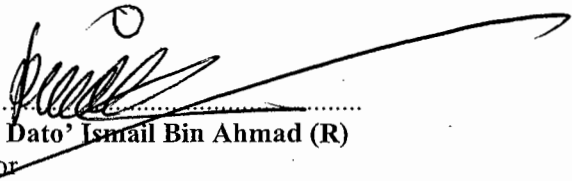
Significant event subsequent to the end of the reporting period is disclosed in Note 30 to the financial statements.


**AUDITORS**

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

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 March 2017 amounted to RM40,000 and RM60,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 July 2017.

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

  
.....  
Ong Tee Kein  
Director

Kuala Lumpur  
28 July 2017



**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

6

MLABS SYSTEMS BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 13 to 50 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 to the financial statements on page 51 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

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

  
.....  
**Ong Tee Kein**  
Director

Kuala Lumpur  
28 July 2017

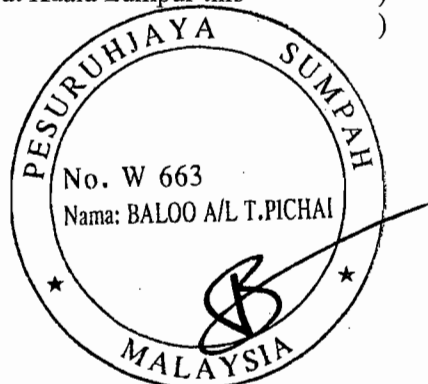
STATUTORY DECLARATION

I, Ong Tee Kein, being the Director primarily responsible for the financial management of Mlabs Systems Berhad, do solemnly and sincerely declare that the financial statements set out on pages 13 to 51 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed at Kuala Lumpur this )  
28 July 2017 )

  
**Ong Tee Kein**

Before me,



NO. 102 & 104 1st FLOOR BANGUNAN  
PERSATUAN YAP SELANGOR  
JALAN TUN HS LEE  
50000 KUALA LUMPUR



Tel: +603 2616 2888  
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Level 8  
BDO @ Menara CenTARa  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MLABS SYSTEMS BERHAD  
(Incorporated in Malaysia)**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Mlabs Systems Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 50.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**Key Audit Matters**

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MLABS SYSTEMS BERHAD (continued)  
(Incorporated in Malaysia)**

**Key Audit Matters (continued)**

**1 Assessment for the impairment of product development costs**

The Group had product development costs with carrying amount of RM1,737,000 as at 31 March 2017 and had disclosed their assessment for impairment of product development costs in Note 6 to the financial statements.

Significant judgement is involved in the estimation of the present value of future cash flows generated by product development costs, which involves uncertainties and is significantly affected by assumptions used and judgement made regarding estimates of future cash flows including forecast revenue growth and discount rates.

**Audit response**

Our audit procedures performed included the following:

- (a) Evaluated management's assessment of whether there were any indicators of impairment on product development costs.
- (b) Tested management's assumptions used in their impairment assessment of the product development costs of the Group. Our procedures included:
  - (i) Assessed the reasonableness of cash flow forecast and projections by comparison to historical performance and future outlook and through discussion with management;
  - (ii) Verified the discount rate by comparison to third party information, the Group's cost of capital and relevant risk factors; and
  - (iii) Performed sensitivity analysis taking into account the historical forecasting accuracy of the Group to stress test the key assumptions in the impairment model.

**2 Recoverability of trade receivables**

As at 31 March 2017, trade receivables of the Group as set out in Note 10 to the financial statements amounted to RM2,045,563, of which, RM393,177 were past due.

Management recognises impairment losses on trade receivables based on specific known facts or circumstances or management judgement on customers' abilities to pay. The determination of whether trade receivables are recoverable involved significant management judgement.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MLABS SYSTEMS BERHAD (continued)  
(Incorporated in Malaysia)**

**Key Audit Matters (continued)**

**2 Recoverability of trade receivables (continued)**

**Audit response**

Our audit procedures performed included the following:

- (a) Assessed the recoverability of material outstanding trade receivables balances which were past due with reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (b) Assessed the effects of cash received subsequent to the end of the financial year in reducing amounts outstanding at the end of the reporting period.

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

**Responsibilities of the Directors for the Financial Statements**

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MLABS SYSTEMS BERHAD (continued)  
(Incorporated in Malaysia)**

**Responsibilities of the Directors for the Financial Statements (continued)**

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MLABS SYSTEMS BERHAD (continued)  
(Incorporated in Malaysia)**

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

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

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MLABS SYSTEMS BERHAD (continued)  
(Incorporated in Malaysia)**


**Other Reporting Responsibilities**

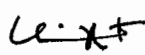
The supplementary information set out in Note 33 of the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

The financial statements of the Group and of the Company for the financial period ended 31 March 2016 were audited by another firm of chartered accountants whose report dated 8 July 2016 expressed an unqualified opinion on those statements.

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

  
**BDO**  
AF : 0206  
Chartered Accountants

  
**Law Kian Huat**  
2855/06/18 (J)  
Chartered Accountant

Kuala Lumpur  
28 July 2017

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

13

**MLABS SYSTEMS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2017**

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	869,313	664,525	855	-
Intangible assets	6	1,817,000	2,153,683	1,737,000	1,930,000
Investments in subsidiaries	7	-	-	-	200,000
Other investment	8	12,851	12,665	-	-
		2,699,164	2,830,873	1,737,855	2,130,000
<b>Current assets</b>					
Inventories	9	175,740	1,107,536	-	-
Trade receivables	10	2,045,563	765,039	-	-
Other receivables	11	192,112	391,642	400	400
Amounts due from subsidiaries	12	-	-	-	278,522
Cash and bank balances		137,552	784,158	7,060	26,937
		2,550,967	3,048,375	7,460	305,859
<b>TOTAL ASSETS</b>		<u>5,250,131</u>	<u>5,879,248</u>	<u>1,745,315</u>	<u>2,435,859</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	13	9,343,345	9,343,345	9,343,345	9,343,345
Share premium	14	-	-	-	-
Fair value adjustment reserve	15	544	544	-	-
Accumulated losses		(4,394,833)	(4,189,934)	(7,882,302)	(7,047,070)
		4,949,056	5,153,955	1,461,043	2,296,275
Non-controlling interests	7	(153,033)	10,982	-	-
<b>TOTAL EQUITY</b>		<u>4,796,023</u>	<u>5,164,937</u>	<u>1,461,043</u>	<u>2,296,275</u>



**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**MLABS SYSTEMS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2017 (continued)**

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables	16	1,438	346,950	-	-
Other payables	17	443,808	322,468	138,503	139,293
Amount due to a subsidiary	18	-	-	145,478	-
Amount due to a Director	18	800	800	-	-
Finance lease liabilities	19	-	36,477	-	-
Tax payables		8,062	7,616	291	291
<b>TOTAL LIABILITIES</b>		<u>454,108</u>	<u>714,311</u>	<u>284,272</u>	<u>139,584</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>5,250,131</u>	<u>5,879,248</u>	<u>1,745,315</u>	<u>2,435,859</u>

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

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

15

**MLABS SYSTEMS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	Note	Group		Company	
		1.4.2016 to 31.3.2017 RM	1.1.2015 to 31.3.2016 RM	1.4.2016 To 31.3.2017 RM	1.1.2015 to 31.3.2016 RM
Revenue	21	2,512,091	3,484,932	-	200,000
Cost of sales		<u>(1,012,732)</u>	<u>(1,949,401)</u>	<u>-</u>	<u>-</u>
Gross profit		1,499,359	1,535,531	-	200,000
Other income		372,800	192,482	13,982,770	-
Selling and distribution expenses		(28,985)	(24,783)	-	-
Administrative expenses		(1,692,443)	(1,865,867)	(588,236)	(546,340)
Other expenses		<u>(517,486)</u>	<u>(345,205)</u>	<u>(14,229,766)</u>	<u>(1,251,420)</u>
Loss from operations		(366,755)	(507,842)	(835,232)	(1,597,760)
Finance income	22	186	-	-	-
Finance costs	23	<u>(2,345)</u>	<u>(3,520)</u>	<u>-</u>	<u>-</u>
Loss before tax	24	(368,914)	(511,362)	(835,232)	(1,597,760)
Taxation	25	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the financial year/period		<u><u>(368,914)</u></u>	<u><u>(511,362)</u></u>	<u><u>(835,232)</u></u>	<u><u>(1,597,760)</u></u>
<b>Other comprehensive income, net of tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Available-for-sale financial assets - disposal of available-for-sale investment		<u>-</u>	<u>(81,055)</u>	<u>-</u>	<u>-</u>
Total other comprehensive loss, net of tax		<u>-</u>	<u>(81,055)</u>	<u>-</u>	<u>-</u>
Total comprehensive loss		<u><u>(368,914)</u></u>	<u><u>(592,417)</u></u>	<u><u>(835,232)</u></u>	<u><u>(1,597,760)</u></u>

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

16

**MLABS SYSTEMS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (continued)**

	Note	Group		Company	
		1.4.2016 to 31.3.2017 RM	1.1.2015 to 31.3.2016 RM	1.4.2016 To 31.3.2017 RM	1.1.2015 to 31.3.2016 RM
Loss attributable to:					
Owners of the parent		(204,899)	(437,957)	(835,232)	(1,597,760)
Non-controlling interests		<u>(164,015)</u>	<u>(73,405)</u>	<u>-</u>	<u>-</u>
		<u>(368,914)</u>	<u>(511,362)</u>	<u>(835,232)</u>	<u>(1,597,760)</u>
Total comprehensive loss attributable to:					
Owners of the parent		(204,899)	(519,012)	(835,232)	(1,597,760)
Non-controlling interests		<u>(164,015)</u>	<u>(73,405)</u>	<u>-</u>	<u>-</u>
		<u>(368,914)</u>	<u>(592,417)</u>	<u>(835,232)</u>	<u>(1,597,760)</u>
Loss per share attributable to owners of the parent (sen):					
Basic	26	(0.11)	(0.23)		
Diluted	26	<u>(0.11)</u>	<u>(0.23)</u>		

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

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FYE 31 MARCH 2017 (CONT'D)

17

## MLABS SYSTEMS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FYE 31 MARCH 2017 (CONT'D)

18

## MLABS SYSTEMS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (continued)

Group	Note	[----- Attributable to owners of the parent -----]						
		Share capital RM	Share premium RM	Fair value adjustment reserve RM	Accumulated losses RM	Total equity RM	Non- controlling interests RM	Total equity RM
2016								
Balance as at 1 January 2015		18,686,690	9,346,633	81,599	(22,441,955)	5,672,967	84,387	5,757,354
Loss for the financial period		-	-	-	(437,957)	(437,957)	(73,405)	(511,362)
Other comprehensive loss, net of tax		-	-	(81,055)	-	(81,055)	-	(81,055)
Total comprehensive loss		-	-	(81,055)	(437,957)	(519,012)	(73,405)	(592,417)
<b>Transactions with owners</b>								
Capital reduction	13	(9,343,345)	-	-	9,343,345	-	-	-
Share premium reduction	14	-	(9,346,633)	-	9,346,633	-	-	-
		(9,343,345)	(9,346,633)	-	18,689,978	-	-	-
Balance as at 31 March 2016		9,343,345	-	544	(4,189,934)	5,153,955	10,982	5,164,937

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

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

19

**MLABS SYSTEMS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (continued)**

Company	Note	[----- Attributable to owners of the parent -----]			
		Share capital RM	Share premium RM	Accumulated losses RM	Total equity RM
<b>2017</b>					
Balance as at 1 April 2016		9,343,345	-	(7,047,070)	2,296,275
Loss for the financial year		-	-	(835,232)	(835,232)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(835,232)	(835,232)
Balance as at 31 March 2017		<u>9,343,345</u>	<u>-</u>	<u>(7,882,302)</u>	<u>1,461,043</u>
<b>2016</b>					
Balance as at 1 January 2015		18,686,690	9,346,633	(24,139,288)	3,894,035
Loss for the financial period		-	-	(1,597,760)	(1,597,760)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(1,597,760)	(1,597,760)
<b>Transactions with owners</b>					
Capital reduction	13	(9,343,345)	-	9,343,345	-
Share premium reduction	14	-	(9,346,633)	9,346,633	-
		<u>(9,343,345)</u>	<u>(9,346,633)</u>	<u>18,689,978</u>	<u>-</u>
Balance as at 31 March 2016		<u>9,343,345</u>	<u>-</u>	<u>(7,047,070)</u>	<u>2,296,275</u>

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

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**MLABS SYSTEMS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	Note	Group		Company	
		1.4.2016 to 31.3.2017 RM	1.1.2015 to 31.3.2016 RM	1.4.2016 to 31.3.2017 RM	1.1.2015 to 31.3.2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Loss before tax		(368,914)	(511,362)	(835,232)	(1,597,760)
Adjustments for:					
Amortisation of intangible assets	6	233,000	50,000	193,000	-
Amounts due from subsidiaries written off	12	-	-	14,029,766	-
Bad debts written off		228,248	2,400	-	-
Depreciation of property, plant and equipment	5	152,820	211,062	45	-
Gain on disposal of other investment		-	(94,881)	-	-
Gain on disposal of property, plant and equipment		(31,000)	-	-	-
Impairment losses on:					
- trade receivables	10	140,900	165,000	-	-
- other receivables	11	140,094	-	-	-
- amounts due from subsidiaries	12	-	-	-	1,251,420
- investments in subsidiaries		-	-	200,000	-
- goodwill	6	103,683	-	-	-
Reversal of impairment losses on:					
- trade receivables	10	(150,900)	-	-	-
- amounts due from subsidiaries	12	-	-	(13,982,770)	-
Write back of trade receivables	10	(140,900)	-	-	-
Interest expense	23	2,345	3,520	-	-
Inventories written off	9	-	150,266	-	-
Finance income	22	(186)	-	-	-
Operating profit/ (loss) before changes in working capital		309,190	(23,995)	(395,191)	(346,340)
Changes in working capital:					
Inventories		931,796	(1,077,802)	-	-
Trade and other receivables		(1,298,436)	827,258	-	(400)
Trade and other payables		(223,726)	255,914	(790)	45,642
Subsidiaries		-	-	377,004	942,235
		(590,366)	5,370	376,214	987,477
Cash (used in)/generated from operations		(281,176)	(18,625)	(18,977)	641,137
Interest paid		(2,345)	(3,520)	-	-
Net cash (used in)/from operating activities		(283,521)	(22,145)	(18,977)	641,137

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**MLABS SYSTEMS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS****FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (continued)**

	Note	Group		Company	
		1.4.2016 to 31.3.2017 RM	1.1.2015 to 31.3.2016 RM	1.4.2016 to 31.3.2017 RM	1.1.2015 to 31.3.2016 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	5	(357,608)	(5,274)	(900)	-
Proceeds from disposal of other investment		-	1,260,313	-	-
Proceeds from disposal of property, plant and equipment		31,000	-	-	-
Addition to intangible assets	6	-	(854,000)	-	(854,000)
Net cash (used in)/from investing activities		(326,608)	401,039	(900)	(854,000)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>					
Repayment of finance lease liabilities		(36,477)	(43,250)	-	-
Net cash used in financing activity		(36,477)	(43,250)	-	-
Net (decrease)/increase in cash and cash equivalents		(646,606)	335,644	(19,877)	(212,863)
Cash and cash equivalents at beginning of financial year/period		784,158	448,514	26,937	239,800
Cash and cash equivalents at end of financial year/period		<u>137,552</u>	<u>784,158</u>	<u>7,060</u>	<u>26,937</u>
Cash and cash equivalents at end of the financial year/period comprises:					
Cash and bank balances		<u>137,552</u>	<u>784,158</u>	<u>7,060</u>	<u>26,937</u>

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



**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**MLABS SYSTEMS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2017****1. CORPORATE INFORMATION**

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

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

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

The consolidated financial statements for the financial year ended 31 March 2017 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia (‘RM’), which is also the functional currency of the Company.

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

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 28 July 2017.

**2. BASIS OF PREPARATION**

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

However, Note 33 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants (‘MIA Guidance’) and the directive of Bursa Malaysia Securities Berhad.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements and on the basis of accounting principle applicable to a going concern.

The Group and the Company incurred a loss of RM368,914 and RM835,232 respectively for the financial year ended 31 March 2017 and, as of that date, the Group and the Company had accumulated losses of RM4,394,833 and RM7,882,302 respectively. As at 31 March 2017, the Company had net current liabilities of RM276,812.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

**2. BASIS OF PREPARATION (continued)**

The above events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern, while is highly dependent on the successful implementation of the Rights Issue with Warrants as well as continued support from its creditors.

The Group proposed a renounceable rights issue of up to 528,169,300 new ordinary shares in MLABS ("MLABS Shares" or "Shares") ("Rights Shares") together with up to 264,084,650 free detachable warrants in MLABS ("Warrants B") on the basis of two (2) rights shares together with one (1) free warrant B for every one (1) existing MLABS share held by entitled shareholders of MLABS on an entitlement date to be determined later ("Proposed Rights Issue with Warrants"). The Proposed Rights Issue with Warrants ("Proposal") have been approved by the members via an Extraordinary General Meeting held on 8 June 2017.

Further to the above event, a total of 6,871,300 Warrants 2010/2020 had been exercised at an exercise price of RM0.10 per Warrant. As of to date, the Group had collected total proceeds from the exercised Warrants amounting to RM687,130.

In this regard, the Directors have considered the application of the going concern basis in the preparation of financial statements of the Group and of the Company to be appropriate in these circumstances, given the positive indication that the implementation of the Rights Issue together with Warrants will be successful and will be able to meet their financial obligations as and when they fall due. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to amounts and classification of liabilities that may be necessary should the going concern basis for the preparation the financial statements of the Group and of the Company be not appropriate.

The accounting policies adopted are consistent with those of the previous financial period except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 32(a) to the financial statements.

**3. OPERATING SEGMENT**

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

Research and development, and Assembling	Research and development, assembling and trading of multimedia video conferencing system, and mobile application solutions
Trading	Trading of kitchen equipment and related products

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

Inter-segment revenue is priced along the same lines as sales to external customers and conditions and is eliminated on the consolidated financial statements. These policies have been applied constantly throughout the current and previous financial years/period.

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FYE 31 MARCH 2017 (CONT'D)

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## 3. OPERATING SEGMENT (continued)

Group 2017	Research and development, and assembling RM	Trading segments RM	Total segments RM	Adjustments and eliminations RM	Consolidated RM
<b>Revenue</b>					
External customers	1,500,000	1,012,091	2,512,091	-	2,512,091
Inter-segment	-	-	-	-	-
Total revenue	1,500,000	1,012,091	2,512,091	-	2,512,091
<b>Results</b>					
Finance income	186	-	186	-	186
Finance cost	2,345	-	2,345	-	2,345
Depreciation and amortization	344,765	41,055	385,820	-	385,820
Other non-cash items	(13,378,443)	108,109	(13,270,334)	13,560,459	290,125
Segment profit/(loss)	13,528,429	(334,725)	13,193,704	(13,560,459)	(366,755)
<b>Segment assets</b>	5,306,464	1,471,902	6,778,366	(1,528,235)	5,250,131
Included in the measurement of segment assets are:					
Capital expenditure	357,608	-	357,608	-	357,608
<b>Segment liabilities</b>	537,200	1,784,213	2,321,413	(1,867,305)	454,108
<b>Other non-cash items</b>					
Impairment loss on:					
- Trade receivables	140,900	-	140,900	-	140,900
- Other receivables	140,094	-	140,094	-	140,094
- Investments in subsidiaries	200,000	-	200,000	(200,000)	-
- Goodwill	-	-	-	103,683	103,683
Write back of trade receivables	(140,900)	-	(140,900)	-	(140,900)
Bad debt written off	120,139	108,109	228,248	-	228,248
Amounts due from subsidiaries written off	14,029,766	-	14,029,766	(14,029,766)	-
Gain on disposal of property, plant and equipment	(31,000)	-	(31,000)	-	(31,000)
Reversal of impairment losses on trade receivables	(150,900)	-	(150,900)	-	(150,900)
Reversal of impairment losses on amounts due from subsidiaries	(13,982,770)	-	(13,982,770)	13,982,770	-

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FYE 31 MARCH 2017 (CONT'D)

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## 3. OPERATING SEGMENT (continued)

Group 2016	Research and development, and assembling RM	Trading RM	Total segments RM	Adjustments and eliminations RM	Consolidated RM
<b>Revenue</b>					
External customers	1,388,773	2,096,159	3,484,932	-	3,484,932
Inter-segment	-	-	-	-	-
Total revenue	1,388,773	2,096,159	3,484,932	-	3,484,932
<b>Results</b>					
Finance cost	3,520	-	3,520	-	3,520
Depreciation and amortisation	210,512	50,550	261,062	-	261,062
Other non-cash items	1,321,539	150,266	1,471,805	(1,251,420)	220,385
Segment loss	(1,609,456)	(149,806)	(1,759,262)	1,251,420	(507,842)
<b>Segment assets</b>	5,587,702	1,843,599	7,431,301	(1,552,053)	5,879,248
Included in the measurement of segment assets are:					
Capital expenditure	854,000	5,274	859,274	-	859,274
<b>Segment liabilities</b>	14,344,708	1,821,185	16,165,893	(15,451,582)	714,311
<b>Other non-cash items</b>					
Impairment loss on:					
- Trade receivables	165,000	-	165,000	-	165,000
- Amounts due from subsidiaries	1,251,420	-	1,251,420	(1,251,420)	-
Inventories written off	-	150,266	150,266	-	150,266
Gain on disposal of other investment	(94,881)	-	(94,881)	-	(94,881)

Geographic information

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

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**3. OPERATING SEGMENT (continued)**

Major customers

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

	<b>2017</b>	<b>2016</b>
Customer A	27.6%	-
Customer B	23.9%	-
Customer C	19.9%	-
Customer D	1.0%	32.3%
Customer E	-	28.7%
	<u>72.4%</u>	<u>61.0%</u>

These major customers are included in the research and development, and assembling segment.

**4. CAPITAL AND FINANCIAL RISK MANAGEMENT**

**(a) Capital management**

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

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

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements.

The gearing ratios at the end of the reporting year/period are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total loans and borrowings	-	36,477	-	-
Less: Cash and bank Balances	<u>(137,552)</u>	<u>(784,158)</u>	<u>(7,060)</u>	<u>(26,937)</u>
Net debts	<u>(137,552)</u>	<u>(747,681)</u>	<u>(7,060)</u>	<u>(26,937)</u>
Equity	<u>4,949,056</u>	<u>5,153,955</u>	<u>1,461,043</u>	<u>2,296,275</u>
Gearing ratio	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>

\* Gearing ratio not applicable to the Group and the Company as the cash and cash equivalents as at 31 March 2017 and 31 March 2016 are sufficient to cover the entire borrowing obligation.

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

**4. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)****(b) Financial risk management objectives and policies**

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

**Credit risk**

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

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

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

The credit risk concentration profiles have been disclosed in Note 10 to the financial statements.

**Liquidity risk**

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

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

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 16, 17, 18 and 19 to the financial statements.

**Interest rate risk**

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. The Group's objective on interest rate risk management is to achieve a balance in re-pricing risks and the optimisation of its cost of funds whilst ensuring sufficient liquidity to meet funding needs.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Note 19 to the financial statements.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)

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## 5. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Balance as at 1.4.16 RM	Additions RM	Disposal RM	Balance as at 31.3.17 RM
<b>Cost</b>				
Renovation	385,261	-	-	385,261
Motor vehicles	646,259	-	(271,145)	375,114
Furniture, fittings and office equipment	456,678	357,608	-	814,286
Computers	747,646	-	-	747,646
	<u>2,235,844</u>	<u>357,608</u>	<u>(271,145)</u>	<u>2,322,307</u>
		<b>Depreciation charge for</b>		
	<b>Balance as at</b>	<b>the financial</b>	<b>Disposal</b>	<b>Balance as at</b>
	<b>1.4.16</b>	<b>year</b>	<b>RM</b>	<b>31.3.17</b>
	<b>RM</b>	<b>RM</b>		<b>RM</b>
<b>Accumulated depreciation</b>				
Renovation	96,099	37,489	-	133,588
Motor vehicles	477,459	75,023	(271,145)	281,337
Furniture, fittings and office equipment	311,198	28,709	-	339,907
Computers	686,563	11,599	-	698,162
	<u>1,571,319</u>	<u>152,820</u>	<u>(271,145)</u>	<u>1,452,994</u>
<b>2016</b>	<b>Balance as at</b>	<b>Additions</b>		<b>Balance as at</b>
	<b>1.1.15</b>	<b>RM</b>		<b>31.3.16</b>
	<b>RM</b>			<b>RM</b>
<b>Cost</b>				
Renovation	385,261	-	-	385,261
Motor vehicles	646,259	-	-	646,259
Furniture, fittings and office equipment	456,678	-	-	456,678
Computers	742,372	5,274	-	747,646
	<u>2,230,570</u>	<u>5,274</u>		<u>2,235,844</u>
		<b>Depreciation charge for</b>		
	<b>Balance as at</b>	<b>the financial</b>	<b>Balance as at</b>	
	<b>1.1.15</b>	<b>period</b>	<b>31.3.16</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	
<b>Accumulated depreciation</b>				
Renovation	49,238	46,861	96,099	
Motor vehicles	369,997	107,462	477,459	
Furniture, fittings and office equipment	271,314	39,884	311,198	
Computers	669,708	16,855	686,563	
	<u>1,360,257</u>	<u>211,062</u>	<u>1,571,319</u>	

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Net carrying amount</b>		
Renovation	251,673	289,162
Motor vehicles	93,777	168,800
Furniture, fittings and office equipment	474,379	145,480
Computers	49,484	61,083
	<u>869,313</u>	<u>664,525</u>

<b>Company 2017</b>	<b>Balance as at 1.4.16 RM</b>	<b>Additions RM</b>	<b>Balance as at 31.3.17 RM</b>
<b>Cost</b>			
Office equipment	-	900	900

	<b>Balance as at 1.4.16 RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Balance as at 31.3.17 RM</b>
<b>Accumulated depreciation</b>			
Office equipment	-	45	45

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Net carrying amount</b>		
Office equipment	<u>855</u>	<u>-</u>

All items of property, plant and equipment are initially recorded at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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



**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**6. INTANGIBLE ASSETS**

<b>Group 2017</b>	<b>Balance as at 1.4.16 RM</b>	<b>Balance as at 31.3.17 RM</b>
<b>Cost</b>		
Goodwill	103,683	103,683
Product development costs	6,137,299	6,137,299
Intellectual property	8,835,510	8,835,510
Computer software	2,639,411	2,639,411
Website costs	200,000	200,000
	<u>17,915,903</u>	<u>17,915,903</u>

<b>Accumulated amortization</b>	<b>Balance as at 1.4.16 RM</b>	<b>Charge for the financial year RM</b>	<b>Balance as at 31.3.17 RM</b>
Goodwill	-	-	-
Product development costs	3,054,766	193,000	3,247,766
Intellectual property	7,748,346	-	7,748,346
Computer software	2,639,411	-	2,639,411
Website costs	80,000	40,000	120,000
	<u>13,522,523</u>	<u>233,000</u>	<u>13,755,523</u>

<b>Accumulated impairment</b>	<b>Balance as at 1.4.16 RM</b>	<b>Charge for the financial year RM</b>	<b>Balance as at 31.3.17 RM</b>
Goodwill	-	103,683	103,683
Product development costs	1,152,533	-	1,152,533
Intellectual property	1,087,164	-	1,087,164
	<u>2,239,697</u>	<u>103,683</u>	<u>2,343,380</u>

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**6. INTANGIBLE ASSETS (continued)**

<b>Group 2016</b>	<b>Balance as at 1.1.15 RM</b>	<b>Additions RM</b>	<b>Balance as at 31.3.16 RM</b>
<b>Cost</b>			
Goodwill	103,683	-	103,683
Product development costs	5,283,299	854,000	6,137,299
Intellectual property	8,835,510	-	8,835,510
Computer software	2,639,411	-	2,639,411
Website costs	200,000	-	200,000
	<u>17,061,903</u>	<u>854,000</u>	<u>17,915,903</u>
	<b>Balance as at 1.1.15 RM</b>	<b>Charge for the financial period RM</b>	<b>Balance as at 31.3.16 RM</b>
<b>Accumulated amortization</b>			
Goodwill	-	-	-
Product development costs	3,054,766	-	3,054,766
Intellectual property	7,748,346	-	7,748,346
Computer software	2,639,411	-	2,639,411
Website costs	30,000	50,000	80,000
	<u>13,472,523</u>	<u>50,000</u>	<u>13,522,523</u>
		<b>Balance as at 1.1.15 RM</b>	<b>Balance as at 31.3.16 RM</b>
<b>Accumulated impairment</b>			
Product development costs		1,152,533	1,152,533
Intellectual property		1,087,164	1,087,164
		<u>2,239,697</u>	<u>2,239,697</u>

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**6. INTANGIBLE ASSETS (continued)**

	2017 RM	2016 RM
<b>Net carrying amount</b>		
Goodwill	-	103,683
Product development costs	1,737,000	1,930,000
Intellectual property	-	-
Computer software	-	-
Website costs	80,000	120,000
	<u>1,817,000</u>	<u>2,153,683</u>
<b>Company</b>	<b>Balance as at</b>	<b>Balance as at</b>
<b>2017</b>	<b>1.4.16</b>	<b>31.3.17</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
Product development costs	<u>1,930,000</u>	<u>1,930,000</u>
	<b>Balance as at</b>	<b>Charge for</b>
	<b>1.4.16</b>	<b>the financial</b>
	<b>RM</b>	<b>year</b>
		<b>31.3.17</b>
		<b>RM</b>
<b>Accumulated amortisation</b>		
Product development costs	<u>-</u>	<u>193,000</u>
<b>2016</b>	<b>Balance as at</b>	<b>Balance as at</b>
	<b>1.1.15</b>	<b>31.3.16</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
Product development costs	<u>1,076,000</u>	<u>1,930,000</u>
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Net carrying amount</b>		
Product development costs	<u>1,737,000</u>	<u>1,930,000</u>

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

**(a) Goodwill**

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

**6. INTANGIBLE ASSETS (continued)****(b) Product development costs**

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

Product development costs are amortised on a straight line basis over a period of ten (10) years. Product development costs not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

Product development costs are tested for impairment annually.

(i) The Group reviews the carrying amounts of product development costs as at the end of the reporting period to determine whether there is any indication of impairment. If any such indications exists, the assets' recoverable amount in the Cash Generating Units ('CGUs') is determined based on their value in use. The value in use is determined by discounting the future cash flows to be generated from the continuing use of the CGUs based on financial budgets prepared by management covering a five (5) year period.

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

- The anticipated average annual revenue growth rates used in the cash flow budgets and plans of the CGUs ranged from 8% to 10% (2015: Nil) per annum for years 2018 to 2022.
- A pre-tax discount rate of 10% (2015: Nil) per annum has been applied in determining the recoverable amount of the CGUs.

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

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

**(c) Intellectual property and computer software**

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

**(d) Website cost**

Website cost represents the cost incurred for E-commerce portal for the Company's online sales and treated as intangible asset with finite life and is amortised over its estimated useful life of 5 years.

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**7. INVESTMENTS IN SUBSIDIARIES**

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	7,800,623	7,800,623
Less: Accumulated impairment losses	<u>(7,800,623)</u>	<u>(7,600,623)</u>
	<u>-</u>	<u>200,000</u>

- (a) Investments in subsidiaries are stated at cost less accumulated impairment losses in the separate financial statements. Non-controlling interests are measured at their proportionate share of the net assets of subsidiaries, unless another measurement basis is required by MFRSs.
- (b) Details of the subsidiaries, incorporated in Malaysia, are as follows:

Name of company	Effective equity interest		Principal Activities
	2017 %	2016 %	
Multimedia Research Lab Sdn. Bhd.	100	100	Business of research and development in multimedia video conferencing system as well as assembling and trading of multimedia video conferencing system and equipment
Pacifica Direct Sdn. Bhd.	51	51	Trading of white goods such as kitchen equipment and appliances
Next Gen Biosciences Sdn. Bhd.	100	100	Dormant

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

Name of Company	NCI percentage of ownership interest and voting interest		Loss allocated to NCI		Carrying amount of NCI	
	2017 %	2016 %	2017 RM	2016 RM	2017 RM	2016 RM
	Pacifica Direct Sdn. Bhd.	<u>49</u>	<u>49</u>	<u>(164,015)</u>	<u>(73,405)</u>	<u>(153,033)</u>

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**7. INVESTMENTS IN SUBSIDIARIES (continued)**

(b) Details of the subsidiaries, incorporated in Malaysia, are as follows: (continued)

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

	<b>Pacifica Direct Sdn. Bhd.</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Assets and liabilities</b>		
Non-current assets	83,669	124,724
Current assets	1,388,233	1,718,874
Current liabilities	<u>(1,784,213)</u>	<u>(1,821,184)</u>
Net (liabilities)/assets	<u>(312,311)</u>	<u>22,414</u>
<b>Results</b>		
Revenue	1,012,091	2,096,159
Loss for the financial year/period, representing total comprehensive loss for the financial year/period	<u>(334,725)</u>	<u>(149,806)</u>
Net cash (used in)/from operating activities	(8,475)	5,095
Net cash used in investing activities	<u>-</u>	<u>(5,274)</u>
Net decrease in cash and cash equivalents	<u>(8,475)</u>	<u>(179)</u>

**8. OTHER INVESTMENT**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Available-for-sale financial asset</b>		
Quoted investment in Malaysia, at fair value - unit trust funds	<u>12,851</u>	<u>12,665</u>

- (a) All regular way purchases and sales of financial assets (including loans and receivables) are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.
- (b) Fair value of quoted investment in Malaysia is determined by reference to the exchange quoted money market fund on the reporting date.
- (c) The fair value of quoted investment of the Group is categorised as Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

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**9. INVENTORIES**

	<b>Group</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
Finished goods	<u>175,740</u>	<u>1,107,536</u>

- (a) Inventories are stated at lower of cost and net realisable value.
- (b) Costs of finished goods are determined on a first-in-first-out basis.
- (c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM960,616 (2016: RM1,914,667). In addition, the amounts recognised in the cost of sales include:

	<b>Group</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
Inventories written off	<u>-</u>	<u>150,266</u>

**10. TRADE RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM</b>	<b>2016 RM</b>	<b>2017 RM</b>	<b>2016 RM</b>
<b>Trade receivables</b>				
- Third parties	2,341,463	1,077,385	-	-
- Related party	<u>6,049,472</u>	<u>6,049,472</u>	<u>-</u>	<u>-</u>
	8,390,935	7,126,857	-	-
Less: Impairment losses	<u>(6,345,372)</u>	<u>(6,361,818)</u>	<u>-</u>	<u>-</u>
Total trade receivables	2,045,563	765,039	-	-
Total other receivables (Note 11)	192,112	391,642	400	400
Amounts due from subsidiaries (Note 12)	-	-	-	278,522
Cash and bank balances	137,552	784,158	7,060	26,937
Less: Prepayment (Note 11)	<u>(28,000)</u>	<u>(3,118)</u>	<u>-</u>	<u>-</u>
Total loans and receivables	<u>2,347,227</u>	<u>1,937,721</u>	<u>7,460</u>	<u>305,859</u>

- (a) Related party refers to a company of which a Director of a subsidiary has financial interest.
- (b) Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method.
- (c) The Group's normal trade credit terms range from 30 to 180 days (2016: 30 to 180 days). Other credit terms are assessed and approved on case by case basis. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

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**10. TRADE RECEIVABLES (continued)**

## (d) Ageing analysis of trade receivables

The ageing analysis of trade receivables of the Group is as follows:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	1,652,386	350,000
Past due but not impaired:		
- More than 30 days	393,177	-
- More than 60 days	-	415,039
	393,177	415,039
Past due and impaired	6,345,372	6,361,818
	8,390,935	7,126,857

Trade receivables that are neither past due nor impaired

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

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

Trade receivables that are past due but not impaired

As at 31 March 2017, trade receivables of RM393,177 (2016: RM415,039) were past due but not impaired. Trade receivables of the Group that are past due but not impaired are unsecured in nature and creditworthy reliable. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Trade receivables that are past due and impaired

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

	<b>Group</b>	
	<b>Individually impaired</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Trade receivables, gross	6,345,372	6,361,818
Less: Impairment losses	(6,345,372)	(6,361,818)
	-	-



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**10. TRADE RECEIVABLES (continued)**

(d) Ageing analysis of trade receivables (continued)

Trade receivables that are past due and impaired (continued)

Reconciliation of movements in impairment losses are as follows:

	Group	
	2017 RM	2016 RM
At 1 April/1 January	6,361,818	6,196,818
Charge for the financial year/period	140,900	165,000
Reversal of impairment loss	(150,900)	-
Reclassification to other receivables	(6,446)	-
At 31 March	6,345,372	6,361,818

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. These balances are expected to be recovered through the debts recovery process.

Trade receivables amounting to RM140,900 was written back during the financial year.

- (e) As at 31 March 2017, the Group had 5 customers (2016: 2 customers) that owed the Group at total amount of approximately RM1,864,000 (2016: RM710,000) which accounted for approximately 91% (2016: 93%) of all receivables outstanding.
- (f) All receivables are denominated in Ringgit Malaysia.

**11. OTHER RECEIVABLES**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	255,460	331,278	-	400
Deposit	1,568,014	1,576,514	1,500,400	1,500,000
Prepayment	28,000	3,118	-	-
	1,851,474	1,910,910	1,500,400	1,500,400
Less: Impairment losses	(1,659,362)	(1,519,268)	(1,500,000)	(1,500,000)
	192,112	391,642	400	400

Reconciliation of movements in impairment losses are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 April/1 January	1,519,268	1,519,268	1,500,000	1,500,000
Charge for the financial year/period	140,094	-	-	-
At 31 March	1,659,362	1,519,268	1,500,000	1,500,000

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**12. AMOUNTS DUE FROM SUBSIDIARIES**

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Amounts due from subsidiaries</b>		
Non-interest bearing	13,076	14,274,368
Less: Accumulated impairment losses	<u>(13,076)</u>	<u>(13,995,846)</u>
	<u>-</u>	<u>278,522</u>

(a) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(b) The reconciliation of movements in allowance for impairment losses is as follows:

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
At beginning of financial year/period	13,995,846	12,744,426
Charge for the financial year/period	-	1,251,420
Reversal of impairment loss	<u>(13,982,770)</u>	<u>-</u>
At end of financial year/period	<u>13,076</u>	<u>13,995,846</u>

(c) Amount due from its subsidiary, Multimedia Research Lab Sdn. Bhd. amounting to RM14,029,766 was written off during the financial year due to management is in view that the amount is irrecoverable.

**13. SHARE CAPITAL**

	<b>Group and Company</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Number of shares</b>	<b>RM</b>	<b>Number of shares</b>	<b>RM</b>
<b>Issued and fully paid up ordinary shares</b>				
At beginning of the financial year/period	186,866,900	9,343,345	186,866,900	18,686,690
Capital reduction of RM0.05 per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,343,345)</u>
At end of the financial year/period	<u>186,866,900</u>	<u>9,343,345</u>	<u>186,866,900</u>	<u>9,343,345</u>

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**13. SHARE CAPITAL (continued)**

Owners of the parent of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meeting of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

Subsequent to the shareholders' approval in the Extraordinary General Meeting of the Company on 21 December 2015, the Company implemented par value reduction of its issued and paid up share capital of RM18,686,690 comprising 186,866,900 ordinary shares of RM0.10 each to RM9,343,345 comprising 186,866,900 ordinary shares of RM0.05 each pursuant to Section 64 of the Companies Act, 1965. The resulting credit arising from the capital reduction was used to reduce the Company's accumulated losses by RM9,343,345.

With the introduction of the new Companies Act 2016 (the "Act") effective 31 January 2017, the concept of authorised share capital and par value of share capital has been abolished.

**Warrants 2010/2020**

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

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

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

As at 31 March 2017, the total numbers of Warrants that remain unexercised were 77,217,750.

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**14. SHARE PREMIUM**

This is a non-distributable reserve which arose from the issue of the Company's shares at a premium net of share listing expenses.

As at the beginning of previous financial period, the share premium of the Company was RM9,346,633. During previous financial period, there was reduction of the balance of RM9,346,633 in the Company's share premium account pursuant to Section 64 of the Companies Act, 1965 to reduce the accumulated losses in the Company.

**15. FAIR VALUE ADJUSTMENTS RESERVE**

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

**16. TRADE PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade payables</b>				
- Third parties	1,438	346,950	-	-
Total trade payables	1,438	346,950	-	-
Total other payables (Note 17)	443,808	322,468	138,503	139,293
Amount due to a subsidiary (Note 18)	-	-	145,478	-
Amount due to a Director (Note 18)	800	800	-	-
Finance lease liabilities (Note 19)	-	36,477	-	-
Total finance liabilities carried at amortised costs	446,046	706,695	283,981	139,293

- (a) The normal trade credit terms granted to the Group range from 30 to 60 days (2016: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.
- (b) The maturity profile of the trade payables of the Group at the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one year.
- (c) All payables are denominated in Ringgit Malaysia.

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**17. OTHER PAYABLES**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	229,289	123,864	89,303	111,293
Accruals	114,519	198,604	49,200	28,000
Refundable deposits	100,000	-	-	-
	<u>443,808</u>	<u>322,468</u>	<u>138,503</u>	<u>139,293</u>

- (a) The maturity profile of the other payables of the Group and of the Company at the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one year.

**18. AMOUNT DUE TO A SUBSIDIARY/DIRECTOR**

- (a) Amount due to a subsidiary/Director represents unsecured, interest free advances and is repayable on demand.
- (b) The maturity profile of the amount due to a subsidiary/Director of the Group or of the Company at the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one year.

**19. FINANCE LEASE LIABILITIES**

	Group	
	2017 RM	2016 RM
<b>Future minimum lease payments</b>		
Not later than 1 year	-	37,392
Total future minimum lease payments	-	37,392
Less: Future finance charges	-	(915)
Present value of finance lease liabilities	-	<u>36,477</u>
<b>Analysis of present value of finance lease liabilities</b>		
Not later than 1 year	-	36,477
Total finance lease liabilities	-	<u>36,477</u>
<b>Analysed as:</b>		
Repayable within twelve months	-	<u>36,477</u>

- (a) In the previous financial period, the finance lease liabilities of the Group attracted interest at rate 2.72% per annum.
- (b) Finance lease liabilities are fixed rate instruments. Sensitivity analysis at the end of the reporting period is not presented as change in interest rate would not affect profit or loss.
- (c) The fair value of finance lease obligations is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

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**20. DEFERRED TAX**

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax assets	119,895	37,698	42,300	-
Deferred tax liabilities	(119,895)	(37,698)	(42,300)	-
	-	-	-	-

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

Group	Unutilised tax losses RM	Unabsorbed capital allowances RM	Total RM
<b>Deferred tax assets</b>			
At 1 April 2016	36,138	1,560	37,698
Recognised in profit or loss	75,033	7,164	82,197
At 31 March 2017	111,171	8,724	119,895
At 1 January 2015	-	46,728	46,728
Recognised in profit or loss	36,138	(45,168)	(9,030)
At 31 March 2016	36,138	1,560	37,698
			<b>Property, plant and equipment RM</b>
<b>Deferred tax liabilities</b>			
At 1 April 2016			37,698
Recognised in profit or loss			82,197
At 31 March 2017			119,895
At 1 January 2015			46,728
Recognised in profit or loss			(9,030)
At 31 March 2016			37,698
Company	Unutilised tax losses RM	Unabsorbed capital allowances RM	Total RM
<b>Deferred tax assets</b>			
At 1 April 2016	-	-	-
Recognised in profit or loss	34,457	7,843	42,300
At 31 March 2017	34,457	7,843	42,300

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**20. DEFERRED TAX (continued)**

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

	<b>Property, plant and equipment RM</b>
<b>Deferred tax liabilities</b>	
At 1 April 2016	-
Recognised in profit or loss	<u>42,300</u>
At 31 March 2017	<u><u>42,300</u></u>

- (c) Deferred tax assets have not been recognised in respect of the following items:

	<b>Group</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
Unabsorbed capital allowances	2,305	1,250
Unutilised tax losses	<u>3,033,439</u>	<u>3,471,296</u>
	<u><u>3,035,744</u></u>	<u><u>3,472,546</u></u>

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiaries that have a recent history of losses.

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

**21. REVENUE**

Revenue represents the invoiced value of goods sold and services rendered less discount and returns.

**22. FINANCE INCOME**

	<b>Group</b>	
	<b>1.4.2016 to 31.3.2017 RM</b>	<b>1.1.2015 to 31.3.2016 RM</b>
Interest income on: Other investments	<u>186</u>	<u>-</u>

**23. FINANCE COSTS**

Interest expense on: Finance lease liabilities	<u>2,345</u>	<u>3,520</u>
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**24. LOSS BEFORE TAX**

Other than those disclosed elsewhere in the financial statements, the following amounts have been included in arriving at loss before tax:

	<b>Group</b>		<b>Company</b>	
	<b>1.4.2016 to 31.3.2017 RM</b>	<b>1.1.2015 to 31.3.2016 RM</b>	<b>1.4.2016 to 31.3.2017 RM</b>	<b>1.1.2015 to 31.3.2016 RM</b>
Auditors' remuneration:				
- current year/period	100,000	78,000	40,000	23,000
- under provision in prior period/year	-	14,000	-	8,000
Amounts due from subsidiaries written off	-	-	14,029,766	-
Bad debts written off	228,248	2,400	-	-
Directors' fees	126,000	151,500	48,000	60,000
Directors' salaries	28,000	42,500	-	-
Impairment loss on:				
- trade receivables	140,900	165,000	-	-
- other receivables	140,094	-	-	-
- amounts due from subsidiaries	-	-	-	1,251,410
- investment in subsidiaries	-	-	200,000	-
- goodwill	103,683	-	-	-
Reversal on impairment losses on:				
- trade receivables	(150,900)	-	-	-
- amounts due from subsidiaries	-	-	(13,982,770)	-
Rental of warehouse	50,700	49,400	-	-
Rental of premises	132,845	202,229	-	-
Rental of equipment	2,666	3,770	-	-
Rental of showroom	13,000	-	-	-
Write back of trade receivables	(140,900)	-	-	-
Gain on disposal of property, plant and equipment	(31,000)	-	-	-
Gain on disposal of other investment	-	(94,881)	-	-

**25. TAXATION**

There is no tax expense in the current and previous financial years as the Group and the Company are in a tax loss position.

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the fiscal year.



**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
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**25. TAXATION (continued)**

A reconciliations of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rates of the Group and of the Company is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>1.4.2016 to 31.3.2017 RM</b>	<b>1.1.2015 to 31.3.2016 RM</b>	<b>1.4.2016 to 31.3.2017 RM</b>	<b>1.1.2015 to 31.3.2016 RM</b>
Loss before tax	<u>(368,914)</u>	<u>(511,362)</u>	<u>(835,232)</u>	<u>(1,597,760)</u>
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	(88,539)	(122,727)	(200,456)	(383,462)
Tax effects in respect of:				
Non-allowance expenses	229,587	173,322	3,556,321	383,462
Income not subject to tax	(36,216)	-	(3,355,865)	-
Utilisation of previously unrecognised deferred tax assets	<u>(104,832)</u>	<u>(50,595)</u>	<u>-</u>	<u>-</u>
Income tax expense for the financial year/period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Tax on each component of other comprehensive loss is as follows:

	<b>Group 1.1.2015 to 31.3.2016</b>		
	<b>Before tax RM</b>	<b>Tax effect RM</b>	<b>After tax RM</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Available-for-sale financial assets			
- disposal of available-for-sale investment	<u>(81,055)</u>	<u>-</u>	<u>(81,055)</u>

**26. LOSS PER ORDINARY SHARE**

(a) Basic loss per share

	<b>Group</b>	
	<b>1.4.2016 to 31.3.2017</b>	<b>1.1.2015 to 31.3.2016</b>
Loss for the financial year/period attributable to owners of the parent (RM)	<u>(204,899)</u>	<u>(437,957)</u>
Weighted average number of ordinary shares in issue (unit)	<u>186,866,900</u>	<u>186,866,900</u>
Basic loss per ordinary share (in sen)	<u>(0.11)</u>	<u>(0.23)</u>

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
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**26. LOSS PER ORDINARY SHARE (continued)****(b) Diluted loss per share**

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

**27. EMPLOYEE BENEFITS**

	<b>Group</b>	
	<b>1.4.2016</b>	<b>1.1.2015</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2017</b>	<b>31.3.2016</b>
	<b>RM</b>	<b>RM</b>
Salaries, wages and other emoluments	162,550	277,813
Defined contribution plan	20,114	46,095
Social security contributions	2,171	4,059
	<u>184,835</u>	<u>327,967</u>

**28. RELATED PARTY DISCLOSURES****(a) Identities of related parties**

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

The Company has controlling related party relationship with its subsidiaries.

**(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year/period:**

	<b>Group</b>	
	<b>1.4.2016</b>	<b>1.1.2015</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2017</b>	<b>31.3.2016</b>
	<b>RM</b>	<b>RM</b>
Transaction with a company in which one of the Directors has financial interest		
- Purchases	-	85,000
	<u>-</u>	<u>85,000</u>

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
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**29. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

On 3 June 2016, the Company had entered into a Heads of Agreement (“HOA”) with Bage Holdings Limited (“BAGE Holding”) for the proposed acquisition of the entire issued and paid-up share capital of Bage (China) Co. Limited, at an indicative purchase consideration of RM260 million which shall be finalised in the definitive agreements.

The proposed acquisition will be settled via the issuance and allotment of new ordinary shares of RM0.05 each in the Company at an issue price of RM0.065 each. Based on the indicative purchase consideration, 4,000,000,000 new shares will be issued.

On 3 September 2016, the HOA had lapsed following the expiry of the Exclusivity Period. The parties had decided not to extend the Exclusivity Period after taking into consideration the recent market conditions. The HOA becomes null and void and neither Party shall have any claims whatsoever, directly or indirectly against the other in respect of the HOA save for clauses relating to confidentiality.

**30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

(a) On 16 May 2017, the Company had passed resolution for the Proposed Rights Issue with Warrants and the proposed Employee Share Option Scheme (“ESOS”). The following had been approved:

- (i) listing and quotation of up to 528,169,300 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) admission to the Official List and the listing and quotation of up to 264,084,650 Warrants B to be issued pursuant to the Proposed Rights Issue with Warrants;
- (iii) listing and quotation of up to 264,084,650 new Shares to be issued arising from the exercise of the Warrants B;
- (iv) listing and quotation of up to 16,215,700 additional Warrants A pursuant to the adjustment arising from the Proposed Rights Issue with Warrants (“Adjustment Warrants”);
- (v) listing and quotation of up to 16,215,700 new Shares to be issued arising from the exercise of the Adjustment Warrants; and
- (vi) listing and quotation of such number of additional new Shares, representing up to 30% of the total number of issued shares of MLABS (excluding treasury shares), to be issued pursuant to the exercise of Options under the Proposed ESOS.

The approval granted by Bursa Securities is subject to, amongst others, the following conditions:

- (i) MLABS and its principal adviser, Mercury Securities Sdn. Bhd. must full comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue with Warrants;
- (ii) MLABS and Mercury Securities Sdn. Bhd. to inform Bursa Malaysia Securities Berhad (“Bursa Securities”) upon the completion of the Proposed Rights Issue with Warrants;
- (iii) MLABS to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Rights Issue with Warrants is completed; and
- (iv) MLABS is required to submit a confirmation to Bursa Securities of full compliance of the ESOS pursuant to Rule 6.44(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the Shareholders in general meeting.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
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**30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)**

- (b) Total of 6,871,300 Warrants 2010/2020 had been exercised at an exercise price of RM0.10 per Warrant. As of to date, the Group had collected total proceeds from the exercised Warrants amounting to RM687,130.

**31. COMPANIES ACT 2016**

Companies Act 2016 (“CA2016”) was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016 to replace the Companies Act, 1965. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which CA2016 comes into operation except Section 241 and Division 8 of Part III of CA2016.

Consequently, the Group and the Company effected the following changes as at 31 January 2017:

- (a) Authorised share capital has been removed; and  
(b) Par or nominal value of ordinary shares have been removed.

**32. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs**

**a) New MFRSs adopted during the financial year**

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

<b>Title</b>	<b>Effective Date</b>
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

- (a) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.
- (b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
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**32. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)**

**b) New MFRSs that have been issued, but only effective for annual years beginning on or after 1 January 2017**

The following are standards and amendments of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company.

<b>Title</b>	<b>Effective Date</b>
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

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

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE  
FYE 31 MARCH 2017 (CONT'D)**

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**33. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES**

The following analysis of realised and unrealised accumulated losses of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total accumulated losses of the Company and its subsidiaries - realised	(12,687,559)	(25,879,104)	(7,882,302)	(7,047,070)
Less: Consolidation adjustments	<u>8,292,726</u>	<u>21,689,170</u>	<u>-</u>	<u>-</u>
Total accumulated losses	<u>(4,394,833)</u>	<u>(4,189,934)</u>	<u>(7,882,302)</u>	<u>(7,047,070)</u>

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

**APPENDIX V - DIRECTORS' REPORT**



Date: 31 JUL 2017

To: The Entitled Shareholders of MLABS Systems Berhad ("MLABS" or the "Company")

Dear Sir / Madam,

On behalf of the Board of Directors of MLABS ("Board"), I wish to report that after due enquiry by us in relation to the interval between the period from 31 March 2017 (being the date to which the last audited consolidated financial statements of the Company and its subsidiaries ("Group") have been made up) to the date hereof (being a date not earlier than 14 days before the date of issuance of this Abridged Prospectus), that:-

- (i) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, since the last audited consolidated financial statements of the Group, no circumstances that has adversely affected the trading or the value of the assets of the Group has arisen;
- (iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities that has arisen by reason of any guarantee or indemnities given by the Group;
- (v) there has not been, since the last audited consolidated financial statements of the Group, any default or known event that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings of the Group;
- (vi) there has not been, since the last audited consolidated financial statements of the Group, any material changes in the published reserves or unusual factors affecting the profits of the Group; and
- (vii) as disclosed above and up to the date of this letter, no other reports are required in relation to items (i) to (vi) above.

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

A handwritten signature in black ink, appearing to read "Ong Tee Kein".

**ONG TEE KEIN**  
Executive Director

## APPENDIX VI - ADDITIONAL INFORMATION

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### 1. SHARE CAPITAL

- (i) Save for the Rights Shares, Warrants B and new Shares to be issued pursuant to the exercise of the Warrants B, no securities will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of the issuance of this Abridged Prospectus.
- (ii) As at the LPD, there is only 1 class of shares in the Company, namely ordinary shares in the Company, all of which rank equally with one another.
- (iii) As at the LPD, save as disclosed below and the Rights Shares and Warrants B, no person has been or is entitled to be granted an option to subscribe for any securities of the Company and no capital of the Company is under any option or agreed conditionally or unconditionally to be put under any option:-
  - (a) 77,217,750 outstanding Warrants A carrying the right to subscribe for 1 new Share at an exercise price of RM0.10 per Warrant A; and
  - (b) On 16 May 2017, Mercury Securities had on behalf of the Board, announced that Bursa Securities had, vide its letter dated 16 May 2017, granted its approval for the establishment of ESOS. Under the ESOS, the Company may grant ESOS carrying the right to subscribe for new Shares up to but not exceeding 30% of the Company's total number of issued shares (excluding treasury shares, if any) at any one time throughout the duration of the 5 years from the effective date of the ESOS. The ESOS will be implemented after completion of the Rights Issue with Warrants.

### 2. DIRECTORS' REMUNERATION

An extract of the provisions in the Company's Constitution in relation to the remuneration of its Directors are as follows:-

#### **Article 115**

- (i) The fees of the Directors shall from time to time be determined by the Company in General Meeting but the remuneration of the executive Directors shall from time to time be determined by the Board of Directors.
- (ii) The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.
- (iii) The fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover and the remuneration payable to executive Directors may not include a commission on or percentage of turnover.
- (iv) Any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

### 3. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Group during the 2 years preceding the date of this Abridged Prospectus.



## APPENDIX VI - ADDITIONAL INFORMATION (CONT'D)

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### 4. MATERIAL LITIGATION

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

### 5. GENERAL

- (i) There are no service contracts or proposed service contracts between the Directors and the Company or any of its subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within 1 year from the date of this Abridged Prospectus;
- (ii) Save as disclosed in this Abridged Prospectus, the financial condition and operations of the Group are not affected by any of the following:-
  - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the Group's liquidity;
  - (b) any material commitment for capital expenditure of the Group;
  - (c) unusual, infrequent events or transactions or any significant economic changes which materially affect the amount of reported income from operations;
  - (d) known trends or uncertainties which have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the Group's revenues or operating income; and
  - (e) material information, including all special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the Group's profits.

### 6. CONSENTS

- (i) The written consents of the Principal Adviser, Company Secretaries, Share Registrar, Solicitors for the Rights Issue with Warrants, Reporting Auditors and Principal Bankers for the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.
- (ii) The written consent of the Reporting Accountants for the inclusion in this Abridged Prospectus of their name, letter and report relating to the pro forma consolidated statements of financial position and the audited consolidated financial statements for the FYE 31 March 2017 and all references thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.
- (iii) The written consent of Bloomberg Finance L.P. for the inclusion in this Abridged Prospectus of its name and citation of the market data made available to its subscribers in the form and context in which such name and market data appear has been given before the issuance of this Abridged Prospectus and has not been subsequently withdrawn.

## APPENDIX VI - ADDITIONAL INFORMATION (CONT'D)

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### 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of MLABS at 802, 8<sup>th</sup> Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

- (i) Constitution of MLABS;
- (ii) pro forma consolidated statements of financial position of the Group as at 31 March 2017 together with the Reporting Accountants' report thereon as set out in Appendix III of this Abridged Prospectus;
- (iii) audited consolidated financial statements of the Group for the 15-month FPE 31 March 2016 and FYE 31 March 2017;
- (iv) the undertaking letter dated 4 May 2017 from the Undertaking Shareholder in relation to the Undertaking referred to in Section 3 of this Abridged Prospectus;
- (v) the Directors' Report as set out in Appendix V of this Abridged Prospectus;
- (vi) letters of consent referred to in Section 6 of this Appendix VI; and
- (vii) Deed Poll B.

### 8. RESPONSIBILITY STATEMENT

- (i) The Board has seen and approved this Abridged Prospectus, together with the NPA and RSF and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and 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 these documents false or misleading.
- (ii) Mercury Securities, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of their knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue with Warrants.