

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

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

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS. IF IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, PLEASE CONSULT A PROFESSIONAL ADVISER 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, Wilayah Persekutuan (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 13 November 2020 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 13 November 2020. The Documents are not intended to (and will not be made to) comply with the laws of any country or jurisdiction other than Malaysia and 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 C, 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 C 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 transferee(s) and/or their renounee(s) (if applicable) are residents.

This Abridged Prospectus has been registered by the 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, opinion expressed or report contained in this Abridged Prospectus. The SC has not, in any way, considered the merits of this Rights Issue with Warrants. A copy of this Abridged Prospectus, together with the NPA and RSF, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at our EGM convened on 20 October 2020. Approval has been obtained from Bursa Securities via its letter dated 28 September 2020 for the admission of the Warrants C to the Official List as well as the listing and quotation of the Rights Shares, Warrants C and the new Shares to be issued upon exercise of the Warrants C 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 with the Rights Shares and Warrants C allotted to them 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 not to be taken as an indication of the merits of the Rights Issue with Warrants.

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

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.



MLABS SYSTEMS BERHAD

(Registration No. 200401014724 (653227-V))

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 755,123,412 NEW ORDINARY SHARES IN MLABS ("MLABS SHARES" OR "SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.09 PER RIGHTS SHARE TOGETHER WITH UP TO 440,488,657 FREE DETACHABLE WARRANTS IN MLABS ("WARRANTS C") ON THE BASIS OF 12 RIGHTS SHARES TOGETHER WITH 7 FREE WARRANTS C FOR EVERY 2 EXISTING SHARES HELD BY THE ENTITLED SHAREHOLDERS OF THE COMPANY AT 5.00 P.M. ON 13 NOVEMBER 2020

Principal Adviser



MERCURY SECURITIES SDN BHD

(Registration No. 198401000672 (113193-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date	: Friday, 13 November 2020 at 5.00 p.m.
Last date and time for:	
Sale of Provisional Allotments	: Friday, 20 November 2020 at 5.00 p.m.
Transfer of Provisional Allotments	: Tuesday, 24 November 2020 at 4.30 p.m.
Acceptance and payment	: Monday, 30 November 2020 at 5.00 p.m.
Excess Rights Shares with Warrants C Application and payment	: Monday, 30 November 2020 at 5.00 p.m.

This Abridged Prospectus is dated 13 November 2020

ALL ABBREVIATIONS AND DEFINED TERMS CONTAINED IN THIS ABRIDGED PROSPECTUS ARE DEFINED IN THE "DEFINITIONS" SECTION OF THIS ABRIDGED PROSPECTUS UNLESS STATED OTHERWISE.

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

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.

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

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

DEFINITIONS

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

Abridged Prospectus	- This abridged prospectus dated 13 November 2020 in relation to the Rights Issue with Warrants
Act	- Companies Act, 2016
Bloomberg	- Bloomberg Finance Singapore L.P. and its affiliates
BNM	- Bank Negara Malaysia
Board	- Board of Directors of the Company
Bursa Depository	- Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	- Bursa Malaysia Securities Berhad (200301033577 (635998-W))
By-Laws	- Existing by-laws governing the ESOS
CDS Account	- Securities account established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor
Closing Date	- 30 November 2020 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares with Warrants C
CMSA	- Capital Markets and Services Act, 2007 of Malaysia
Code	- Malaysian Code on Take-Overs and Mergers, 2016
Corporate Exercises	- Collectively, the Share Consolidation and Rights Issue with Warrants
COVID-19	- Coronavirus disease 2019
Deed Poll C	- Deed poll constituting the Warrants C dated 28 October 2020
Director	- Directors of MLABS
e-NPA	- Electronic NPA
e-RSF	- Electronic RSF
e-Subscription	- Electronic subscription
EGM	- Extraordinary general meeting of the Company
Entitled Shareholders	- Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date in order to be entitled to the Rights Issue with Warrants
Entitlement Date	- 13 November 2020, at 5.00 p.m., being the date on which the names of Shareholders must appear in the Record of Depositors of the Company in order to be entitled to participate in the Rights Issue with Warrants

DEFINITIONS (CONT'D)

EPS	- Earnings per Share
ESOS	- Employees' share option scheme of the Company which took effect on 28 September 2017 for a period of 5 years, unless extended
ESOS Options	- Options granted under the ESOS pursuant to the By-Laws, where each holder of the ESOS Options can subscribe for 1 new Share for every 1 ESOS Option held
Excess Rights Shares with Warrants C	- Rights Shares with Warrants C 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) prior to the Closing Date
Excess Rights Shares with Warrants C Application	- Application for additional Rights Shares with Warrants C in excess of the Provisional Allotments
Exercise Period	- Any time within a period of 3 years commencing from and including the date of issue of the Warrants C to the close of business at 5.00 p.m. on the Market Day immediately preceding the date which is the 3rd anniversary from the date of issue of the Warrants C. Any Warrants C not exercised during the Exercise Period will thereafter lapse and cease to be valid
Exercise Price	- RM0.09, being the price at which 1 Warrant C is exercisable into 1 new Share, subject to adjustments in accordance with the provisions of the Deed Poll C
Foreign-Addressed Shareholders	- Shareholders who have not provided to the Company a registered address or an address in Malaysia for the service of documents which will be issued in connection with the Rights Issue with Warrants
FPE	- Financial period ended
FYE	- Financial year ended / ending, as the case may be
GDP	- Gross domestic product
ICT	- Information and communications technology
IMR Report	- Independent market research report on the video-conferencing industry in Malaysia dated 20 October 2020 prepared by Smith Zander
LAT	- Loss after taxation
LBT	- Loss before taxation
Listing Requirements	- ACE Market Listing Requirements of Bursa Securities
LPD	- 14 October 2020, being the latest practicable date prior to the printing of this Abridged Prospectus
LPS	- Loss per Share

DEFINITIONS (CONT'D)

LTD	- 27 October 2020, being the last trading day prior to the date of fixing the issue price of the Rights Shares and Exercise Price
Market Day	- Any day on which Bursa Securities is open for trading in securities
Maximum Scenario	- Assuming that (i) there will not be any new Shares to be issued arising from the exercise of the ESOS Options prior to the Entitlement Date and (ii) all the Entitled Shareholders and/or their renounees(s) fully subscribe for their respective entitlements under the Rights Issue with Warrants
MCO	- Movement control order issued by the Malaysian Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
Mercury Securities or the Principal Adviser	- Mercury Securities Sdn Bhd (198401000672 (113193-W))
Minimum Scenario	- The Rights Issue with Warrants is undertaken on the Minimum Subscription Level
Minimum Subscription Level	- Minimum subscription level to raise minimum proceeds of RM10.0 million, which based on an issue price of RM0.09 per Rights Share, shall entail the subscription of an aggregate of 111,111,112 Rights Shares together with 64,814,814 Warrants C by the Undertaking Shareholders
MLABS or the Company	- MLABS Systems Berhad (200401014724 (653227-V))
MLABS Group or the Group	- Collectively, MLABS and its subsidiaries
MLABS Shares or Shares	- Ordinary shares in MLABS
NA	- Net assets
NPA	- Notice of provisional allotment in relation to the Rights Issue with Warrants
Official List	- A list specifying all securities which have been admitted for listing on the ACE Market of Bursa Securities
Private Placement April 2020	- Private placement exercise of 80,158,000 new Shares, which was completed on 29 April 2020
Private Placement July 2020	- Private placement exercise of 267,365,000 new Shares, which was completed on 22 July 2020
Provisional Allotments	- Rights Shares with Warrants C provisionally allotted to Entitled Shareholders
Record of Depositors	- A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository
Registered Entitled Shareholders	- Entitled Shareholders who are the registered users of TIIH Online
Rights Issue September 2017	- Rights issue with warrants exercise of 373,710,716 new Shares and 186,855,358 warrants 2017/2020, which was completed on 15 September 2017

DEFINITIONS (CONT'D)

Rights Issue with Warrants	- Renounceable rights issue of up to 755,123,412 Rights Shares together with up to 440,488,657 free detachable Warrants C on the basis of 12 Rights Shares together with 7 free Warrants C for every 2 existing Shares held by the Entitled Shareholders on the Entitlement Date
Rights Shares	- Up to 755,123,412 new Shares to be allotted and issued pursuant to the Rights Issue with Warrants
RM and sen	- Ringgit Malaysia and sen respectively
RSF	- Rights subscription form in relation to the Rights Issue with Warrants
Rules	- Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC
Rules of Bursa Depository	- Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991
SC	- Securities Commission Malaysia
Share Consolidation	- Consolidation of every 10 Shares into 1 Share, which was completed on 5 November 2020
Shareholders	- Registered holders of the Shares
Smith Zander	- Smith Zander International Sdn Bhd (201301028298 (1058128-V))
TEAP	- Theoretical ex-all price
TIH Online	- Tricor's propriety owned application to facilitate Entitled Shareholders to subscribe for the Rights Shares with Warrants C provisionally allotted and to apply for Excess Rights Shares with Warrants C electronically
Tricor or the Share Registrar	- Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Undertakings	- Written undertakings from the Undertaking Shareholders dated 1 September 2020 pursuant to which the Undertaking Shareholders have irrevocably and unconditionally undertaken, amongst others, to apply and subscribe in full for their entitlement of Rights Shares and additional Rights Shares not taken up by other Entitled Shareholders by way of excess Rights Shares application, to the extent such that the aggregate subscription proceeds of the Rights Shares received by the Company arising from the subscription by all Entitled Shareholders and/or their renounee(s) amount to RM10.0 million, details of which are set out in Section 3 of this Abridged Prospectus
Undertaking Shareholders	- Collectively, (1) Tan Sik Eek (Executive Director of MLABS) and (2) Ong Tee Kein (Non-Independent Non-Executive Director of MLABS)
VWAP	- Volume-weighted average market price

DEFINITIONS (CONT'D)

Warrants C - Up to 440,488,657 free detachable warrants in MLABS to be allotted and issued pursuant to the Rights Issue with Warrants

Warrant C Holders - Holders of the Warrants C

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 referring to 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 reference to time and date in this Abridged Prospectus shall be a reference to Malaysian time and date, unless otherwise stated. Any discrepancies in the tables between the actual figures, amounts stated and the totals in this Abridged Prospectus are, unless otherwise explained, due to rounding.

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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ADVISER'S DIRECTORY

- COMPANY SECRETARIES** : Thai Kian Yau (SSM PC No. 202008001515) (MIA 36921)
Chong Voon Wah (SSM PC No. 202008001343) (MAICSA 7055003)
22-09, Menara 1MK
No. 1, Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Wilayah Persekutuan
Tel: +603-2856 7333
- PRINCIPAL ADVISER** : Mercury Securities Sdn Bhd
L-7-2, No 2, Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 - 6203 7227
Fax : +603 - 6203 7117
- SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS** : Ching, Elaine & Co
A-15-15, Tropicana Avenue, Persiaran Tropicana
PJU13, 47410 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 - 7886 9289
Fax : +603 - 7610 1824
- 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
Wilayah Persekutuan
Tel : +603 - 2783 9299
Fax : +603 - 2783 9222
- AUDITORS AND REPORTING ACCOUNTANTS** : PKF (AF 0911)
Level 33, Menara 1MK, Kompleks 1 Mont Kiara
No.1, Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 - 6203 1888
Fax : +603 - 6201 8880
- INDEPENDENT MARKET RESEARCHER** : Smith Zander International Sdn Bhd
15-01, Level 15, Menara MBMR
1, Jalan Syed Putra
58000 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 - 2732 7537

Managing Partner: Dennis Tan Tze Wen
(Bachelor of Science from Memorial University of Newfoundland, Canada)
- STOCK EXCHANGE LISTING** : ACE Market of Bursa Securities

SUMMARY OF THE RIGHTS ISSUE WITH WARRANTS

This summary of the Rights Issue with Warrants only highlights the key information from other parts of the Abridged Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Abridged Prospectus.

Key information	Summary									
(i) Number of Rights Shares to be issued and basis of allotment	<p>Basis: 12 Rights Shares together with 7 free Warrants C for every 2 existing Shares held by the Entitled Shareholders. Please refer to Section 2.1 of this Abridged Prospectus for further information.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Minimum Scenario</th> <th style="text-align: center;">Maximum Scenario</th> </tr> </thead> <tbody> <tr> <td>Number of Rights Shares to be issued</td> <td style="text-align: center;">111,111,112</td> <td style="text-align: center;">755,123,412</td> </tr> <tr> <td>Number of Warrants C attached</td> <td style="text-align: center;">64,814,814</td> <td style="text-align: center;">440,488,657</td> </tr> </tbody> </table> <p>The Rights Shares with Warrants C 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 shall be made available for Excess Rights Shares with Warrants C Applications. It is the intention of the Board to allot the Excess Rights Shares with Warrants C, if any, in a fair and equitable manner in the following priority:-</p> <ol style="list-style-type: none"> (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 C, 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 C, taking into consideration the quantum of their respective Excess Rights Shares with Warrants C Applications; and (iv) finally, on a pro-rata basis and in board lots, to the transferee(s) and/or renounee(s) who have applied for Excess Rights Shares with Warrants C, taking into consideration the quantum of their respective Excess Rights Shares with Warrants C Applications. <p>The Excess Rights Shares with Warrants C will firstly be allocated to minimise the odd lots (if any) held by each applicant of Excess Rights Shares with Warrants C. Thereafter, the allocation process will perform items (ii), (iii) and (iv) in succession. Any remaining balance of Excess Rights Shares with Warrants C will be allocated by performing the same sequence of allocation i.e. items (ii), (iii) and (iv) again in succession until all Excess Rights Shares with Warrants C are allotted. Please refer to Section 10.7 of this Abridged Prospectus for further information.</p>		Minimum Scenario	Maximum Scenario	Number of Rights Shares to be issued	111,111,112	755,123,412	Number of Warrants C attached	64,814,814	440,488,657
	Minimum Scenario	Maximum Scenario								
Number of Rights Shares to be issued	111,111,112	755,123,412								
Number of Warrants C attached	64,814,814	440,488,657								
(ii) Price of the Rights Shares	<p>Issue price of the Rights Shares: RM0.09 per Rights Share Exercise Price for the Warrants C: RM0.09 per Warrant C</p> <p>Please refer to Section 2.2 of this Abridged Prospectus for further information.</p>									
(iii) Undertakings	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 50%;">Undertaking Shareholders and undertaking amount</td> <td> <ul style="list-style-type: none"> • Tan Sik Eek (Executive Director of MLABS): RM5.0 million • Ong Tee Kein (Non-Independent Non-Executive Director of MLABS): RM5.0 million </td> </tr> <tr> <td>Minimum Rights Shares to be subscribed for if none of the other Entitled Shareholders and/or their transferees and/or their renounees subscribe for the Rights Shares</td> <td>111,111,112 Rights Shares (representing 14.7% of the total number of 755,123,412 Rights Shares available for subscription under the Maximum Scenario)</td> </tr> </tbody> </table> <p>Please refer to Section 3 of this Abridged Prospectus for further information.</p>	Undertaking Shareholders and undertaking amount	<ul style="list-style-type: none"> • Tan Sik Eek (Executive Director of MLABS): RM5.0 million • Ong Tee Kein (Non-Independent Non-Executive Director of MLABS): RM5.0 million 	Minimum Rights Shares to be subscribed for if none of the other Entitled Shareholders and/or their transferees and/or their renounees subscribe for the Rights Shares	111,111,112 Rights Shares (representing 14.7% of the total number of 755,123,412 Rights Shares available for subscription under the Maximum Scenario)					
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Minimum Rights Shares to be subscribed for if none of the other Entitled Shareholders and/or their transferees and/or their renounees subscribe for the Rights Shares	111,111,112 Rights Shares (representing 14.7% of the total number of 755,123,412 Rights Shares available for subscription under the Maximum Scenario)									

SUMMARY OF THE RIGHTS ISSUE WITH WARRANTS (CONT'D)

Key information	Summary					
(iv) Utilisation of proceeds	The gross proceeds to be raised from the Rights Issue with Warrants will be utilised in the following manner:-					
	Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of the Rights Issue with Warrants	Minimum Scenario		Maximum Scenario	
			(RM'000)	%	(RM'000)	%
	(i) Remote meeting and videotelephony systems	Within 36 months	8,000	80.0	23,000	33.8
	(ii) Broadcasting and livestreaming centre	Within 6 months	-	-	7,600	11.2
	(iii) Acquisitions and/or investments in complementary businesses and/or assets	Within 24 months	-	-	25,000	36.8
	(iv) Working capital	Within 24 months	1,200	12.0	11,561	17.0
	(v) Estimated expenses for the Corporate Exercises	Immediate	800	8.0	800	1.2
	Total		10,000	100.0	67,961	100.0
	Please refer to Section 5 of this Abridged Prospectus for further information.					
(v) Risk factors	You should consider the following risk factors before subscribing for or investing in the Rights Issue with Warrants:-					
	<p>(a) the Group has been incurring losses since FYE 31 March 2018 and there is no assurance it is able to turnaround its financial performance in the near term;</p> <p>(b) the Group faces stiff competition from other similar service providers;</p> <p>(c) due to the rapid changes in technology, the Group's performance is dependent on its ability to continuously innovate and upgrade its applications, systems, software and infrastructure in a timely manner to ensure that the Group's products remain relevant to its customers;</p> <p>(d) the Group's products and services are exposed to cyber security risk; and</p> <p>(e) the COVID-19 pandemic has resulted in adverse impact to the performance of the world's economies including Malaysia, but may not have a material adverse impact on the financial performance of the Group as the Group's business is mainly in the telecommunication and video-conferencing industry.</p>					
	Please refer to Section 6 of this Abridged Prospectus for further information.					
(vi) Procedures for acceptance and payment	Acceptance of and payment for the Provisional Allotments allotted to you and application for the Excess Rights Shares with Warrants C 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.					
	The last day, date and time for acceptance of and payment for the Provisional Allotments and the Excess Rights Shares with Warrants C is on Monday, 30 November 2020 at 5.00 p.m.					
	Please refer to Section 10 of this Abridged Prospectus for further information.					



MLABS SYSTEMS BERHAD

(Registration No. 200401014724 (653227-V))

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

Registered Office

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

13 November 2020

Board of Directors:-

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

Mejar Dato' Ismail bin Ahmad (R) (Non-Independent Non-Executive Director)

Ong Tee Kein (Non-Independent Non-Executive Director)

Professor Dr. Sureswaran Ramadass (Independent Non-Executive Director)

Chuah Hoon Hong (Independent Non-Executive Director)

Tan Sik Eek (Executive Director)

To: Entitled Shareholders

Dear Sir / Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 755,123,412 RIGHTS SHARES AT AN ISSUE PRICE OF RM0.09 PER RIGHTS SHARE TOGETHER WITH UP TO 440,488,657 FREE DETACHABLE WARRANTS C ON THE BASIS OF 12 RIGHTS SHARES TOGETHER WITH 7 FREE WARRANTS C FOR EVERY 2 EXISTING SHARES HELD BY THE ENTITLED SHAREHOLDERS AT 5.00 P.M. ON 13 NOVEMBER 2020

1. INTRODUCTION

On 1 September 2020, Mercury Securities had, on behalf of the Board, announced that the Company proposed to undertake the Corporate Exercises.

On 28 September 2020, Mercury Securities, on behalf of the Board, announced that Bursa Securities has, vide its letter dated 28 September 2020, resolved to approve the following:-

- (i) Share Consolidation;
- (ii) admission of the Warrants C to the Official List;
- (iii) listing and quotation of the Rights Shares and Warrants C on the ACE Market of Bursa Securities; and
- (iv) listing and quotation of the new Shares to be issued arising from the exercise of the Warrants C on the ACE Market of Bursa Securities.

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

Conditions imposed by Bursa Securities	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 complied
(ii) MLABS and Mercury Securities to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be complied
(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 complied
(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 C as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

The Board is pleased to inform that the Shareholders had, during the EGM held on 20 October 2020, approved the Corporate Exercises.

On 28 October 2020, Mercury Securities had, on behalf of the Board, announced that the Board had on even date resolved to fix the issue price of the Rights Shares at RM0.09 per Rights Share as well as the Exercise Price at RM0.09 per Warrant C.

On 30 October 2020, 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 13 November 2020.

On 5 November 2020, Mercury Securities had, on behalf of the Board, announced that the Share Consolidation has been completed.

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 the Company 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.

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2. PARTICULARS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

The Rights Issue with Warrants entails a provisional allotment of up to 755,123,412 Rights Shares together with up to 440,488,657 free detachable Warrants C on a renounceable basis of 12 Rights Shares together with 7 free Warrants C for every 2 existing Shares held by the Entitled Shareholders on the Entitlement Date, at an issue price of RM0.09 per Rights Share.

The actual number of Rights Shares and Warrants C to be issued will depend on the eventual subscription level for the Rights Issue with Warrants. As at the LPD, the total number of issued shares of the Company is 1,258,539,027 Shares and the Company has up to 37,129,708 ESOS Options which may be granted pursuant to the maximum allowable amount under the By-Laws. In conjunction with the Corporate Exercises, the Company has undertaken not to grant any ESOS Options until completion of the Corporate Exercises.

As the Rights Shares and Warrants C are prescribed securities, the respective CDS Accounts of the 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 the NPA as enclosed in this Abridged Prospectus, notifying Entitled Shareholders of the crediting of such securities into their respective CDS Accounts, and the RSF as enclosed in this Abridged Prospectus, enabling Entitled Shareholders to subscribe for the Provisional Allotments as well as to apply for Excess Rights Shares with Warrants C if Entitled Shareholders so choose to.

However, only Entitled Shareholders who have an address in Malaysia as stated in the Record of Depositors or who have provided the Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this Abridged Prospectus together with the NPA and RSF. An electronic notification on the Rights Issue with Warrants C will also be sent to all Registered Entitled Shareholders on the date of despatch of the NPA and RSF.

The Warrants C 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 C are exercisable into new Shares and each Warrant C will entitle its holder to subscribe for 1 new Share at the Exercise Price. The Warrants C will be immediately detached from the Rights Shares upon issuance and traded separately. The Warrants C will be issued in registered form and constituted by the Deed Poll C. The salient terms of the Warrants C 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 C and new Shares to be issued arising from the exercise of the Warrants C will be credited directly into the respective CDS Accounts of successful applicants and holders of Rights Shares who exercise their Warrants C (as the case may be). No physical certificates will be issued to the successful applicants of the Rights Shares with Warrants C, nor will any physical share certificates be issued for the new Shares to be issued arising from the exercise of the Warrants C.

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 C cannot be renounced separately. As such, the Entitled Shareholders who renounce all of their Rights Shares entitlements will not be entitled to the Warrants C. If the Entitled Shareholders accept only part of their Rights Shares entitlements, they shall be entitled to the Warrants C in proportion to their acceptance of the Rights Shares entitlements.

The Rights Shares and Warrants C 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 C Applications and to such other persons as the Board shall determine.

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 in its absolute discretion may deem fit or expedient and in the best interests of the Company.

Notices of allotment will be despatched to the successful applicants of the Rights Shares with Warrants C within 8 Market Days from the last date for acceptance and payment of the Rights Shares with Warrants C or such other period as may be prescribed by Bursa Securities.

The Warrants C will be admitted to the Official List and the listing and quotation of Warrants C will commence 2 Market Days upon the receipt by Bursa Securities 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 with the Rights Shares and Warrants C.

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 RM0.09 per Rights Share after taking into consideration, amongst others, the following:-

- (i) the funding requirements of the Group as set out in Section 5 of this Abridged Prospectus;
- (ii) the reference share price of the Shares (after the Share Consolidation);
- (iii) the TEAP⁽¹⁾ of MLABS Shares of RM0.1047, calculated based on the 5-Market Day VWAP of MLABS Shares up to and including the LTD of RM0.0244 and after adjusting for the effects of the Share Consolidation; and
- (iv) the rationale for the Rights Issue with Warrants, as set out in Section 4 of this Abridged Prospectus.

The issue price of RM0.09 per Rights Share represents a discount of approximately 14.04% to the TEAP of MLABS Shares of RM0.1047, calculated based on the 5-Market Day VWAP of MLABS Shares up to and including the LTD of RM0.0244 and after adjusting for the effects of the Share Consolidation.

Note:-

(1) TEAP is computed as follows:-

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

where:-

- A = Number of Rights Shares
- B = Number of Warrants C
- C = Number of existing Shares
- X = Issue price of the Rights Shares
- Y = Exercise Price
- Z = 5-Market Day VWAP of MLABS Shares up to and including the LTD

and the ratio of A:B:C is 12:7:2, in accordance with the entitlement basis of 12 Rights Shares together with 7 free Warrants C for every 2 existing Shares held.

Exercise Price

The Board had fixed the Exercise Price at RM0.09 per Warrant C after taking into consideration the following:-

- (i) the TEAP of MLABS Shares of RM0.1047, calculated based on the 5-Market Day VWAP of MLABS Shares up to and including the LTD of RM0.0244 and after adjusting for the effects of the Share Consolidation;
- (ii) the future prospects of the Group, further details of which are set out in Section 7.3 of this Abridged Prospectus; and
- (iii) to fix an exercise price that makes the Warrants C attractive for the purposes of enhancing the subscription level of the Rights Shares.

The Exercise Price per Warrant C represents a discount of approximately 14.04% to the TEAP of MLABS Shares of RM0.1047, calculated based on the 5-Market Day VWAP of MLABS Shares up to and including the LTD of RM0.0244 and after adjusting for the effects of the Share Consolidation.

2.3 Ranking of the Rights Shares and new Shares arising from the exercise of the Warrants C

(i) Rights Shares

The Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares.

(ii) New Shares to be issued arising from exercise of the Warrants C

The new Shares to be issued pursuant to the exercise of the Warrants C shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares.

2.4 Last date and time for acceptance and payment

The Closing Date is 5.00 p.m. on **Monday, 30 November 2020**.

2.5 Salient terms of the Warrants C

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

- Issuer** : MLABS
- Issue size** : Up to 440,488,657 Warrants C
- Form and detachability** : The Warrants C will be issued in registered form and constituted by the Deed Poll C. The Warrants C which are to be issued with the Rights Shares will immediately be 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 C shall be 100 units of Warrants C, or such other number of units as may be prescribed by Bursa Securities.
- Tenure** : 3 years commencing on and including the date of issuance of the Warrants C.
- Exercise Period** : The Warrants C may be exercised at any time within a period of 3 years commencing from and including the date of issuance of the Warrants C to the close of business at 5.00 p.m. (Malaysia time) on the market day immediately preceding the date which is the 3rd anniversary from the date of issuance of the Warrants C. Any Warrants C not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
- Exercise Price** : RM0.09 per Warrant C.
- The Exercise Price and/or the number of Warrants C in issue during the Exercise Period shall however be subject to adjustments under circumstances prescribed in accordance with the terms and provisions of the Deed Poll C.
- Subscription rights** : Each Warrant C shall entitle its registered holder to subscribe for 1 new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments under circumstances prescribed in accordance with the terms and provisions of the Deed Poll C.
- Mode of exercise** : The holders of the Warrants C 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 C to subscribe for new Shares. The payment of such fee must be made in RM.

- Adjustments to the Exercise Price and/or the number of the Warrants C** : Subject to the provisions of the Deed Poll C, the Exercise Price and/or the number of Warrants C in issue may be subject to adjustments by the Board in consultation with an approved adviser appointed by the Company or the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants C, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or capital distribution, in accordance with the provisions of the Deed Poll C. Any adjustment to the Exercise Price will be rounded up to the nearest 1 sen.
- Rights of the Warrant C Holders** : The Warrants C do not confer on their holders any voting rights or any right to participate in any form of distribution and/or offer of further securities in the Company until and unless such holders of Warrants C exercise their Warrants C for new Shares in accordance with the provisions of the Deed Poll C and such new Shares have been allotted and issued to such holders.
- Ranking of the new Shares to be issued pursuant to the exercise of the Warrants C** : The new Shares to be issued pursuant to the exercise of the Warrants C in accordance with the provisions of the Deed Poll C shall, upon allotment, issuance and full payment of the Exercise Price of the Warrants C, rank *pari passu* in all respects with the then existing issued Shares.
- Rights of the Warrants C Holders in the event of winding up, liquidation, compromise and/or arrangement** : Where a resolution has been passed for a members' voluntary winding-up of 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 holders of the Warrants C (or some other persons designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants C; and
 - (ii) every Warrant C holder shall be entitled to exercise their Warrants C 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, whereupon the Company shall allot the relevant new Shares to the Warrant C holder credited as fully paid subject to the prevailing laws, and such Warrant C holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants C shall lapse and cease to be valid for any purpose.

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

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

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

Listing status : Bursa Securities had on 28 September 2020 approved the admission of the Warrants C to the Official List and the listing and quotation of the Warrants C and new Shares to be issued arising from the exercise of the Warrants C on the ACE Market of Bursa Securities. The listing and quotation of the Warrants C on the ACE Market of Bursa Securities is subject to a minimum of 100 holders of Warrants C.

Transferability : The Warrants C shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Deed Poll C : The Warrants C shall be constituted by the Deed Poll C to be executed by the Company.

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

2.6 Details of other corporate exercises

As at the date of this Abridged Prospectus, save for the Rights Issue with Warrants, the Board confirmed that there are no other corporate exercises which have been approved by the regulatory authorities but are pending completion.

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2.7 Details of past fund-raising exercises undertaken by the Company**(i) Private Placement July 2020**

On 22 July 2020, the Company completed a private placement exercise which involved the issuance of 267,365,000 new Shares (representing 30% of the total number of issued Shares prior to the private placement), raising a total of RM9.24 million. As at the LPD, the said proceeds have been utilised as follows:-

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of Private Placement July 2020	Proposed utilisation (RM'000)	Actual utilisation up to the LPD (RM'000)	Balance available for utilisation (RM'000)
(i) Marketing expenses for the "Let's Talk" mobile application ⁽¹⁾	Within 24 months	3,000	-	3,000
(ii) Working capital	Within 24 months	5,909	1,022	4,887
(iii) Expenses for the private placement	Immediate	332	332	-
Total		9,241	1,354	7,887

Note:-

(1) Proceeds of RM3.00 million are intended to be utilised for the marketing of the "Let's Talk" mobile application. Launched in June 2019, the enhanced version of "Let's Talk", the Group's proprietary messaging mobile application, enables users to send secured texts and make voice calls securely through the mobile application. Some of the marketing strategies that the Group intends to adopt are social media marketing, search engine optimisation and search engine marketing, and offline marketing such as telemarketing, radio advertising, television commercials and print media.

The balance proceeds of approximately RM7.89 million from the Private Placement July 2020 as at the LPD will be utilised for the marketing of the "Let's Talk" mobile application and working capital within 24 months from the completion of Private Placement July 2020 i.e. by 21 July 2022.

(ii) Private Placement April 2020

On 29 April 2020, the Company completed a private placement exercise which involved the issuance of 80,158,000 new Shares (representing 10% of the total number of issued Shares prior to the private placement), raising a total of RM1.48 million.

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As at the LPD, the said proceeds have been fully utilised as follows:-

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of Private Placement April 2020	Proposed utilisation (RM'000)	Actual utilisation up to the LPD (RM'000)	Balance available for utilisation (RM'000)
(i) Working capital	Within 24 months	1,395	1,395	-
(ii) Expenses for the private placement	Immediate	80	80	-
Total		1,475	1,475	-

(iii) Rights Issue September 2017

On 15 September 2017, the Company completed a rights issue with warrants exercise which involved the issuance of 373,710,716 new Shares and 186,855,358 warrants 2017/2020, raising a total of RM56.06 million. As at the LPD, the said proceeds have been fully utilised as follows:-

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of Rights Issue September 2017	Proposed utilisation (RM'000)	Actual utilisation up to the LPD (RM'000)	Balance available for utilisation (RM'000)
(i) Development and marketing for mobile application	Within 18 months	10,000	10,000	-
(ii) Working capital	Within 24 months	5,000	5,000	-
(iii) Acquisition and/or investment in other complementary businesses and/or assets	Within 24 months	40,326	40,326 ⁽¹⁾	-
(iv) Expenses for the rights issue	Immediate	730	730	-
Total		56,056	56,056	-

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Note:-

- (1) The proceeds of RM40.32 million allocated for the acquisition and/or investment in other complementary businesses and/or assets have been fully utilised as follows:-

Description	Purpose	Amount utilised (RM'000)	Completion date
(i) Investments in the development of new products, functions and features	To stay relevant with technological advancement and for additional source of revenue		
(a) Acquisition of facial recognition and analytical solution software	To enhance the Group's existing video conferencing and mobile application products' features	3,350	Acquired on 30 May 2018
(b) Development of an e-wallet for mobile top-up and online payment	Business expansion into other related services	2,000	N/A Development is ongoing as at the LPD
(c) Development of a software for contactless capturing of business information and inclusion of an automated identity verification feature which is able to link to sanction lists (i.e. electronic Know-Your-Customer features)	Business expansion into other related services	5,476	N/A Development is ongoing as at the LPD
(d) Development of digital asset and management platform	Business expansion into other related services	4,186	Development completed on 28 May 2019
(ii) Acquisition and construction of showroom and sales gallery	To build a video conferencing centre and showroom to showcase the Group's range of products and services and as a video conferencing centre that provides video conferencing services for users that require such services on an ad hoc basis	2,025	N/A Construction is ongoing as at the LPD
(iii) Collaboration with a telecommunication provider ("telco") in relation to the integration of the Group's video conferencing server technologies (including facial recognition features) with the telco's mobile application	Integration of facial recognition technologies allows the Group to carve a niche for itself in the video conferencing solutions space and leverage on the existing user base of the telco	2,000	N/A Integration is ongoing as at the LPD

	Description	Purpose	Amount utilised (RM'000)	Completion date
(iv)	Collaboration with a telco with the intention to acquire users for the Group's Let's Talk mobile application via promotional campaigns such as giving free trials of the Group's products to the telco's customers	To generate awareness of the Group's products and to increase sales for the Group's mobile application software	5,000	N/A Collaboration is ongoing as at the LPD
(v)	Acquisition of 51% equity interest in Inbase Partners Limited, a financial technology development firm, specialising in creating digital solutions for financial market	To expand the Group's businesses to include fintech services	12,621	Completed on 13 June 2019
(vi)	Development of an online sales platform for the Chatuchak market in Bangkok, Thailand	Business expansion into other related services	2,014	Development completed on 29 March 2019
(vii)	Purchase of hardware for deployment of Wi-Fi and navigation services at the Chatuchak market in Bangkok, Thailand	Business expansion into other related services	1,654	Purchases completed on 3 September 2019
	Total		40,326	

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3. MINIMUM SUBSCRIPTION LEVEL AND SHAREHOLDERS' UNDERTAKING

MLABS intends to raise a minimum of RM10.0 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 Undertakings from the Undertaking Shareholders. The details of the Undertakings are as follows:-

Undertaking Shareholders	Existing direct shareholding as at the LPD		Direct shareholding after the Share Consolidation		Subscription pursuant to the Undertakings (based on an issue price of RM0.09 per Rights Share)					
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Rights Shares	No. of Warrants C	No. of Rights Shares	No. of Warrants C	Total	
Tan Sik Eek	1,000,000	0.08	100,000	0.08	600,000	350,000	54,955,556	32,057,407	55,555,556	32,407,407
Ong Tee Kein	1,000,000	0.08	100,000	0.08	600,000	350,000	54,955,556	32,057,407	55,555,556	32,407,407

Undertaking Shareholders	After the Rights Issue with Warrants	
	No. of Shares	No. of Warrants C
Tan Sik Eek	55,655,556	32,407,407
Ong Tee Kein	55,655,556	32,407,407

Notes:-

- (1) Based on the total number of 1,258,539,027 Shares as at the LPD.
- (2) Based on the total number of 125,853,902 Shares after the Share Consolidation.
- (3) Based on the enlarged total number of 236,965,014 Shares under the Minimum Scenario.
- (4) Based on the total number of 64,814,814 Warrants C under the Minimum Scenario.

Pursuant to the Undertakings, the Undertaking Shareholders have:-

- (i) irrevocably and unconditionally warranted that they shall not sell or in any other way dispose of or transfer their existing interest in the Company or any part thereof (if any) during the period commencing from the date of the Undertakings up to the Entitlement Date; and
- (ii) confirmed that they have sufficient financial means and resources to fulfil their obligations under the Undertakings.

Mercury Securities has verified the sufficiency of financial resources of the Undertaking Shareholders for the purpose of subscribing for the Rights Shares and excess Rights Shares pursuant to the Undertakings.

The Undertaking Shareholders have confirmed that:-

- (i) their subscription for Rights Shares and excess Rights Shares pursuant to the Undertakings will not give rise to any consequence of mandatory take-over offer obligation under the Code and the Rules immediately after completion of the Rights Issue with Warrants; and
- (ii) they will at all times observe and ensure compliance with the provisions of the Code and the Rules and will seek from the SC the necessary exemptions from undertaking such mandatory take-over offer, if required.

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

The Undertakings are 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 corporation must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. As at the LPD, the Company does not hold any treasury shares.

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The pro forma public shareholding spread under the Minimum Scenario is illustrated as follows:-

Particulars	(I) As at the LPD		(II) After the Share Consolidation		(III) After (I) and the Rights Issue with Warrants		(IV) After (II) and assuming full exercise of the Warrants C	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾
Issued share capital	1,258,539,027	100.00	125,853,902	100.00	236,965,014	100.00	301,779,828	100.00
Less: Directors, substantial shareholders and their associates	210,673,431	16.74	21,067,343	16.74	132,178,455	55.78	196,993,269	65.28
Shareholders holding less than 100 Shares	1,914	-(5)	191	-(5)	191	-(5)	191	-(5)
Public shareholding spread	1,047,863,682	83.26	104,786,368	83.26	104,786,368	44.22	104,786,368	34.72

Notes:-

- (1) Based on the total number of 1,258,539,027 Shares as at the LPD.
- (2) Based on the total number of 125,853,902 Shares after the Share Consolidation.
- (3) Based on the enlarged total number of 236,965,014 Shares under the Minimum Scenario.
- (4) Based on the enlarged total number of 301,779,828 Shares assuming full exercise of the Warrants C.
- (5) Negligible.

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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 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 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 C 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 from bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing costs.

The free Warrants C 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 C 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 C and will allow Entitled Shareholders to further participate in the future growth of the Company as and when they are exercised.

The exercise of the Warrants C in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings. Furthermore, the exercise of Warrants C will increase Shareholders' funds, thereby strengthening the financial position of the Company and providing the Company with flexibility in terms of the options available to meet its funding requirements.

5. UTILISATION OF PROCEEDS

In the Company's circular to Shareholders dated 5 October 2020, it was disclosed that the Rights Issue with Warrants will raise gross proceeds of RM52.9 million under the Maximum Scenario, based on an illustrative issue price of RM0.07 per Rights Share.

Subsequently, on 28 October 2020, the Board had resolved to fix the issue price at RM0.09 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 RM15.1 million under the Maximum Scenario will be allocated for the acquisition and/or investments and/or partnerships in other complementary businesses and/or assets as well as for the working capital of the Group, further details of which are set out in Sections 5(iii) and 5(iv) below.

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Hence, based on the issue price of RM0.09 per Rights Share, the gross proceeds to be raised from the Rights Issue with Warrants are intended to be utilised in the following manner:-

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of the Rights Issue with Warrants	Minimum Scenario ⁽¹⁾		Maximum Scenario	
		(RM'000)	%	(RM'000)	%
(i) Remote meeting and videotelephony systems	Within 36 months	8,000	80.0	23,000	33.8
(ii) Broadcasting and livestreaming centre	Within 6 months	-	-	7,600	11.2
(iii) Acquisitions and/or investments in complementary businesses and/or assets	Within 24 months	-	-	25,000	36.8
(iv) Working capital	Within 24 months	1,200 ⁽²⁾	12.0	11,561	17.0
(v) Estimated expenses for the Corporate Exercises	Immediate	800	8.0	800	1.2
Total		10,000	100.0	67,961	100.0

Notes:-

(1) Any additional proceeds raised in excess of the RM10.0 million under the Minimum Scenario will be allocated up to the respective maximum allocation under the Maximum Scenario in the following order:-

- (i) remote meeting and videotelephony systems;
- (ii) broadcasting and livestreaming centre; and
- (iii) acquisitions and/or investments in complementary businesses and/or assets.

Thereafter, any remaining surplus funds raised from the Rights Issue with Warrants will be used for the Group's working capital purposes.

(2) Any shortfall for the Group's working capital requirements will be funded via internally generated funds.

Pending the utilisation of the proceeds from the Rights Issue with Warrants, the unutilised proceeds shall be placed in interest-bearing deposits and/or money market financial instruments.

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(i) Remote meeting and videotelephony systems

The Group has been principally involved in the provision of multimedia video conferencing systems and mobile application solutions. With video-conferencing being more widely used as an alternative to physical meetings since the outbreak of COVID-19, this provided a boost to the demand for video-conferencing systems as virtual communication remains the preferred choice of many individuals and corporations. As such, the Group sees this as an opportunity for it to expand its video-conferencing business.

Hence, the Group intends to allocate up to RM23.0 million from the Rights Issue with Warrants to invest in remote meeting and videotelephony systems to serve its customers across various industries. Particularly, the Group is looking to venture into a new target segment, i.e. the telemedicine industry in Malaysia and is exploring opportunities to serve healthcare providers and enable their participation in the telemedicine field by providing the Group's video-conferencing facilities.

Currently, the Group is in discussions to co-operate with 2 potential partners in the telemedicine field in providing the Group's video-conferencing facilities to link stakeholders within the healthcare system. At this juncture, the Group is in the midst of negotiations for the terms of subscription contracts with the potential partners. The Group targets to provide up to 1,500 sets of video-conferencing equipment to healthcare providers over the next 3 years, which will be charged on a monthly subscription basis.

At this juncture, the Group intends to offer its customers subscription contracts for a minimum contract period of 2 years and the final subscription rate, terms and conditions shall be subject to, amongst others, the number of units subscribed for and tenure of subscription by its customer. The extent of the Group's expansion plan will depend on the availability of funds. If less funds are available, the Group will embark on its plan to serve the telemedicine industry on a smaller scale.

Depending on the actual equipment model, specifications and number of units of equipment, based on management's estimates, the Group expects to be able to acquire the following under the Minimum Scenario and Maximum Scenario:-

- (i) Minimum Scenario: between 280 - 520 sets of video conferencing equipment and infrastructure setup costs; and
- (ii) Maximum Scenario: between 800 to 1,500 sets of video conferencing equipment and infrastructure setup costs.

The actual number of equipment to be acquired will depend on actual proceeds raised and quotations from the respective suppliers at the relevant time.

The fully integrated all-in-one video-conferencing system to be provided by the Group includes, amongst others, a high definition full touchscreen display of 23-inch, an embedded high-resolution camera of 1080p, four microphones mounted in two arrays and a speaker mounted on the front panel. The equipment are all web-connected and will be cloud-managed by the Group to enable remote management and troubleshooting. This is to ensure that any issues faced by the users can be resolved promptly. Further, the router provided by the Group will include a sim card as a backup internet connection to ensure a continual and stable internet connection.

The video-conferencing system enables the healthcare providers to receive video calls from patients dialing in using their handheld and portable devices (such as smartphones and personal computers) from anywhere at their convenience. This is especially helpful for patients that reside in rural areas or patients with mobility issues and face difficulties accessing clinics and/or hospitals. Through the video call, doctors and patients can share information in real time from one screen to another, which include readings from medical devices or physical symptoms whilst at the same time, the doctors are able to conveniently peruse through and update the patients' medical records.

Furthermore, as the video-conferencing system is connected to a network of participating healthcare providers, this facilitates virtual training, secure file sharing and collaboration of medical practices between healthcare professionals. For example, a doctor may conveniently consult another doctor's opinion on the reading of an x-ray image using the video-conferencing system for a better diagnosis of the patient.

(ii) Broadcasting and livestreaming centre

At times, there may be shortcomings in virtual broadcasting and livestreaming events including low quality audio and display as well as unstable internet connection.

The Group aims to be one of the first in Malaysia to set up a state-of-the-art broadcasting and livestreaming centre to host virtual events such as general meetings, corporate events, townhall meetings and social media conventions in which the audience will experience smooth and high-quality audio and video transmission with minimal disruptions. The broadcasting and livestreaming centre will be mainly rented out to external customers who will be charged fees, depending on time usage, frequencies and any specific requirements of the customers. The Group intends to target the corporate client segment and government departments who may require broadcasting and livestreaming facilities for events such as shareholder's meetings, press events and product launches.

The breakdown of the funding requirements for the broadcasting and livestreaming centre, which shall be funded using proceeds from the Rights Issue with Warrants, is set out as follows:-

Description	Amount (RM'000)
(a) Renovation and fittings of the broadcasting and livestreaming centre	3,000
(b) Purchase of systems and equipment	4,600
Total	7,600

Renovation and fittings

The Group has identified a location to be leased for the purpose of setting up the broadcasting and livestreaming centre, which is in the same building as the Company's current principal office i.e. Menara Lien Hoe. The Group intends to lease the premise for at least 5 years as it will incur a significant sum for the renovation and fittings of the premise. The monthly rental rate for the identified premise is approximately RM26,000, which will be funded from working capital.

The broadcasting and livestreaming centre shall comprise 1 main hall and 1 control room, measuring approximately 6,500 square feet in aggregate. The main hall will have a tiered seating arrangement that can accommodate approximately 120 people and will be soundproofed with acoustic foam covering all sides of the room to absorb noise and reduce echo. Meanwhile, the control room will house the operators and/or engineers who will monitor and control the audio and video systems in the main hall.

The renovation and fittings works are expected to commence upon completion of the Corporate Exercises, and the broadcasting and livestreaming centre is targeted to be completed and operational within 6 months thereafter. The renovation and fittings works involve, amongst others, demolishing existing structures, repartitioning, building a tiered seating arrangement for the main hall as well as installing centralised air-conditioning. Furthermore, the venue will be equipped with high speed internet connection to ensure reliable, fast and uninterrupted transmission of contents.

Purchase of systems and equipment

The Group intends to allocate RM4.6 million for the purchase of amongst others, the following systems and equipment:-

Description	Quantity
Video wall with integrated speakers	1
Fully-integrated video-conferencing system with display as well as embedded camera, microphones and speakers	8
Auto-tracking camera	2
Ceiling microphone	4
Router and Wi-Fi extender	5
Security camera	8

The **main hall** will have a 217-inch video wall with integrated speakers, a main video-conferencing system connecting to the video wall and 6 fully-integrated video-conferencing systems (each comprise an 85-inch LED touchscreen display, an embedded high resolution camera of 4000p, a microphone array with intelligent voice-tracking capabilities and speakers) along both sides of the main hall to allow for interaction with physical attendees sitting further back. Although these fully-integrated video-conferencing systems have built in cameras and microphones, there will be an additional two cameras with one focusing on the stage and the other on the audience. These cameras are capable to auto-track the speaker and zoom in on their face using artificial intelligence and facial recognition technologies.

Furthermore, there will be additional 4 professional ceiling microphones, which are designed to capture sounds between 20,000 Hertz and 80,000 Hertz in large spaces with a 180-degree coverage.

For stable internet connection throughout the sessions, the Group intends to use a high performance router with additional security features including a sophisticated firewall system, along with 4 wireless access points to increase the Wi-Fi coverage. These equipment are all web-connected and will be cloud-managed for a simpler and more efficient management.

The **control room** will have a fully-integrated video conferencing system to monitor and control the equipment in the main hall.

The Group will also install 8 security cameras at the broadcasting and livestreaming centre for security and monitoring purposes.

In the event that the funds raised from the Rights Issue with Warrants is less than the required RM7.6 million, after allocating the proceeds to remote meeting and videotelephony systems, the Group shall put on hold the plans for the broadcasting and livestreaming centre. Notwithstanding the above, the Group may proceed after assessing its funding options at the relevant time, including internally generated funds, bank borrowings and/or future fund-raising exercises to be undertaken.

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

The Group has earmarked proceeds of up to RM25.0 million under the Maximum Scenario to finance the acquisitions and/or investments in any suitable and complementary businesses and/or assets, which shall be utilised within 24 months from completion of the Rights Issue with Warrants. Such acquisitions and/or investments may include, amongst others, businesses and/or assets in the information and ICT industry including those involved in the video-conferencing and mobile applications.

The proceeds raised from the Rights Issue with Warrants will allow the Group to capitalise on investment opportunities as and when it arises, which may in turn generate positive returns to the Group, thereby increasing the Shareholders' value.

As at the LPD, the Board has yet to identify any specific businesses and/or assets for acquisition and/or investment. The Company will make the necessary announcements in accordance with the Listing Requirements (if required) as and when it enters into any agreement to acquire and/or invest in complementary businesses 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 businesses and/or assets to be acquired and/or 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 in Sections 5(i), 5(ii), 5(iv) and 5(v) 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 for Sections 5(i) to 5(v) of this Abridged Prospectus will also be reported in the quarterly financial results announcements as well as annual reports of the Company.

If the Company is unable to identify suitable investments within 24 months from the completion of the Rights Issue with Warrants, the timeframe for utilisation of proceeds that has been allocated for the said purpose will be extended and announced as well as disclosed in the Company's quarterly financial results announcements until the Company has successfully identified a suitable investment.

(iv) Working capital

The Group had raised funds for working capital via the Private Placement April 2020 and the Private Placement July 2020. Such working capital requirements was to cater for potential increase in the Group's working capital requirements in anticipation of increased usage of the enhanced Let's Talk mobile application and to facilitate the Group's existing day-to-day operations as a whole by providing more flexibility in terms of cash flow management. Please refer to Section 2.7 of this Prospectus for further details on the respective fundraising exercises.

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As at the LPD, the Group has cash and bank balances of RM27.95 million. Notwithstanding the above, the Group will require additional funds for working capital, taking into consideration the Group's business expansion plan. Hence, the proceeds earmarked for working capital will be utilised to finance the Group's working capital requirements of the business expansion plans (i.e. the provision of remote meeting and videotelephony systems to the telemedicine industry and set up of a broadcasting and livestreaming centre as set out in Sections 5(i) and 5(ii) above) and is expected to be utilised in the following manner:-

Working capital	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Operating and administrative expenses such as staff cost, rental cost and utilities ⁽¹⁾	1,200	7,561
Marketing and advertising costs ⁽¹⁾	-	4,000
Total	1,200	11,561

Note:-

(1) The actual breakdown of these expenses between the business expansions plans set out in Sections 5(i) and 5(ii) cannot be determined at this juncture as it will depend on the actual operating, administrative and marketing requirements of the Group at the relevant time.

(v) Estimated expenses for the Corporate Exercises

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

Estimated expenses	Amount (RM'000)
Professional fees ⁽¹⁾	618
Fees to the relevant authorities	87
Printing, despatch, advertising and meeting expenses	80
Miscellaneous charges	15
Total	800

Note:-

(1) Comprises estimated professional fees payable to the Principal Adviser, solicitors, reporting accountant, independent market researcher, company secretaries and Share Registrar for the Corporate Exercises.

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 issued.

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

Strictly for illustrative purposes, based on the Exercise Price of RM0.09 per Warrant C, the Company will raise gross proceeds of up to approximately RM39.6 million upon full exercise of the Warrants C under the Maximum Scenario. Any proceeds arising from the exercise of the Warrants C in the future will be used to finance future working capital requirements such as those described above for a period of 2 years from the receipt of the proceeds. The exact breakdown cannot be determined at this juncture and would depend on the actual requirements at the relevant time.

6. RISK FACTORS

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors before subscribing for or investing in the Rights Issue with Warrants:-

6.1 Risks relating to the Group

(i) The Group has been incurring losses since FYE 31 March 2018

The Group's financial performance in recent years declined despite the higher revenue earned from the sales of its mobile application software and sales of electrical and related products. Despite the increase in revenue, the Group recorded a lower gross profit margin mainly due to management's strategy of reducing the selling price of some of its products in return for passing on the advertising efforts to the distributors as well as higher contribution from overseas sales which generated lower gross profit margin as compared to local sales.

Further, the Group incurred higher administrative and other operating expenses in FYE 30 June 2020, which were contributed mainly by the following:-

- (a) the impairment of goodwill arising from the acquisition of 51% equity interest of Inbase Partners Limited amounting to RM7.44 million;
- (b) impairment of intangible assets amounting to RM5.42 million due to lower future economic benefits expected to be derived from the sales of "Let's Talk" mobile application amidst the slowdown in economic activities; and
- (c) the impairment of trade and other receivables amounting to RM3.80 million as these receivables are more than 1 year overdue and due to the uncertainty of their recoverability.

The Group had also incurred higher marketing expenses in recent years to promote its mobile application and other products and services to enhance the Group's income stream.

Further details on the financial performance of the Group is set out in Section 4(i), Appendix I of the Abridged Prospectus.

Notwithstanding the prospects and future plans of the Group as set out in Section 7.3 of this Abridged Prospectus, there is no assurance these future plans are able to successfully turnaround the financial performance of the Group in future. Even if the plans are successful in the near term, there is no assurance that the Group is able to sustain its earnings and will not revert back into a loss-making position.

(ii) Competition from other similar service providers

The Group currently faces stiff competition from existing competitors and the introduction of new market players in the telecommunication and video-conferencing industry. Competitors are also offering similar applications, systems, software and infrastructure bundled with attractive and interesting deals and discounts to entice users. As such, there is no assurance that the Group's existing mobile application software and video-conferencing software and infrastructure will be able to gain or grow its market share. In order to stay ahead of the competition, the Group may need to incur additional costs to run marketing, advertising and promotional activities for the continuous acquisition of consumers and merchants to use its products and services. Over the past 3 financial years, the Group had spent a total of RM3.0 million on marketing, advertising and promotional activities.

(iii) Rapid changes in technology

The Group operates in a dynamic market where its products are prone to the evolving needs of the telecommunication and video-conferencing industry and frequent and potentially new product introductions and enhancements that may be disruptive to the industry. The Group's future growth and success would significantly depend on continuing market acceptance of its products, and its ability to develop new products to meet the requirements of the Group's customers.

In this context, the Group's performance is dependent on its ability to continuously innovate and upgrade its applications, systems, software and infrastructure in a timely manner to ensure that the Group's products remain relevant to its customers. This would then allow the Group to compete effectively against other providers moving forward. The emergence of new industry standards, regulations and practices could also render the Group's existing technologies and systems obsolete. For example, if the Government of Malaysia were to come up with new regulations to regulate the telemedicine industry in the future, such as licensing requirements and/or tightening of patient's confidentiality protection, the Group's investments in remote meeting and videotelephony systems might be rendered too costly to implement and/or obsolete.

While the Group intends to constantly upgrade its product features and development, there is no assurance that these upgrades will allow the Group to remain relevant in future technological landscapes given the potential for rapid technological advancements. It should be noted that the development of technological products is a complex and uncertain process. To that end, the Group may experience design, marketing and operational difficulties that could delay or prevent the development of the product. In addition, the Group may not be able to successfully commercialise the new products developed.

If the Group's competitors have more advanced technology which allows them to consistently deliver better product offerings, the Group may suffer substantial loss of customers as they switch to these competitors. For example, although the equipment that the Group plans to purchase for the broadcasting and livestreaming centre are considered high quality and technologically advanced in today's standards, that might not be the case in the near future, in which case the Group's competitors would be able to offer better facilities at or below the same cost by the Group. In this event, there is no assurance that the Group may be able to react quickly to compete against its competitors and the Group's business and financial performance may be adversely affected.

(iv) Cyber security risk

The Group's products and services are exposed to cyber security risk as they may be susceptible to data breaches, malware attack and phishing activities, amongst others. This is an especially important risk to consider in the telemedicine industry, whereby the confidentiality of patients' information is a priority.

Cyber threats can have a cascading impact across the internal systems as well as those of the partners and customers. The impact on security breach compromises the confidentiality, integrity or availability of confidential information. A security breach can disrupt the systems, impact the ability to provide services to the customers and protect the privacy of their data. In the telemedicine industry, a leak in patient information is seen as a serious fault, and might be met with lawsuits or regulatory reprimands.

Even though the remote meeting and videotelephony systems that the Group intends to provide to its customers are certified to be compliant with the International Organization for Standardization's ISO/IEC 27001:2013 (Information technology — Security techniques — Information security management systems), there is no assurance that the security measures to protect against cyberattacks are sufficient to prevent the occurrence of any cyber-attacks on the various platforms which would compromise the security of the users' data.

The occurrence of such incidences may, amongst others, hinder the Group's ability to attract and retain customers, materially damage the Group's reputation and potentially expose the Group to litigation. Consequently, the Group may be required to devote a significant amount of resources to recover from cyber-attacks and strengthen the security measures which may then have an adverse effect to the businesses and financial performance.

(v) Risks relating to the impact of COVID-19 on the Group's businesses

Over the last few months, the COVID-19 pandemic has spread across the world resulting in lockdown or similar measures imposed by governments worldwide to curb the spread of the virus. These have resulted in adverse impact to the performance of the world's economies including Malaysia. Even with the gradual relaxation of lockdown measures moving forward, consumer sentiment is expected to remain dampened in the near future as consumers stay cautious in their spending. Until a vaccine and/or a cure can be developed and mass-distributed to the general population, the dampening effects of the COVID-19 pandemic on consumer spending is expected to remain in the foreseeable future.

During the MCO period and the subsequent conditional and recovery MCO periods that was imposed by the Government of Malaysia, the Group's operations faced minimal disruptions despite a restriction in movement as the Group was still able to carry out its businesses outside of the office. This is in view that the Group's business is mainly in the telecommunication and video-conferencing industry and it was able to continue to conduct most of its businesses virtually. The Group also provided discounts to some of its customers on a case-by-case basis to strengthen the relationship with its customers in light of the negative impact from COVID-19 to its customers.

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The Group recorded an increase in revenue by RM2.09 million or 33.55% based on the revenue for FYE 30 June 2020 and annualised revenue for 15-month FPE 30 June 2019 of RM8.32 million and RM6.23 million respectively. The increase in revenue was mainly contributed by the higher sales after the introduction of the enhanced version of the Group's "Let's Talk" mobile application (which includes additional functions over the basic version) due to the lower pricing strategy adopted by the management to be competitive. However, this led to a lower gross profit margin being recorded by the Group of 12.63% for the FYE 30 June 2020 as compared to gross profit margin of 22.10% for the 15-month FPE 30 June 2019. Please refer to Section 4(i), Appendix I of this Abridged Prospectus for further details on the Group's financial performance for the FYE 30 June 2020.

While the Group is mainly in the telecommunication and video-conferencing industry, of which is generally spurred by employees shifting to work from home, as the country faces another wave of COVID-19 infections, there can be no assurance that the country is able to successfully control the spread of the disease and limit the far-reaching financial impact to the economy. A lack of financial means could deter the masses from subscribing to the Group's products. This is in view that the Group's target customers include local and foreign corporations, some of which have been badly affected by the COVID-19 pandemic financially. The spending by such corporations for telecommunication and video-conferencing products and services may not be a priority over its respective working capital requirements and staff welfare requirements.

6.2 Risks relating to the Rights Issue with Warrants

(i) Failure or delay in the completion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be terminated or delayed in the event of a material adverse change of events or circumstances (such as force majeure events including without limitation, acts of government, natural disasters including without limitation the occurrence of a tsunami and/or earthquakes, acts of terrorism, strikes, national disorder, declaration of a state of war or accidents, or any change in law, regulation, policy or ruling), which is beyond the control of the Group and the Principal Adviser, arising prior to the completion of the Rights Issue with Warrants.

There can be no assurance that the abovementioned factors or events will not cause a failure or delay in the completion of the Rights Issue with Warrants. In the event the Rights Shares have been allotted to the successful Entitled Shareholders and/or their transferee(s) and/or their renounee(s) and/or their transferee(s), if applicable, and the Rights Issue with Warrants is subsequently cancelled or terminated other than due to a stop order issued by the SC pursuant to Section 245 of the CMSA, a return of monies to the successful applicants can only be achieved by way of cancellation of share capital under the Act.

Such cancellation may require the approval of the Shareholders by way of a special resolution in a general meeting, consent of the Company's creditors (where applicable) and either the confirmation of the High Court of Malaya or a solvency statement by the Board. There can be no assurance that such monies can be returned within a short period of time under such circumstances.

In the event the Rights Issue with Warrants cannot be implemented or completed for any reason, the Company will undertake the necessary procedures to ensure the refund of monies is made in full without interest in respect of any application for the subscription of the Rights Shares with Warrants C including the Excess Rights Shares with Warrants C within 14 days after the Company becomes liable to do so, in accordance with the relevant provisions of the CMSA. If such monies are not repaid within 14 days after the Company becomes liable to do so, the Company will repay such monies in accordance with Section 245(7) of the CMSA.

(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 the foregoing, there can be no assurance that the Shares (together with any new Shares issued pursuant to the exercise of the Warrants C) will trade at or above the TEAP disclosed in Section 2.2 of this Abridged Prospectus after the completion of the Rights Issue with Warrants.

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

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

(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 statements, other than statements of historical data, included in this Abridged Prospectus, including without limitation, those regarding the financial position, risk factors, prospects and future plans of the Group are forward-looking statements.

Such 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.

In light of these uncertainties, the inclusion of such forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by the Company, the Principal Adviser and/or other advisers in relation to the Rights Issue with Warrants that the plans and objectives of the Group will be achieved.

7. INDUSTRY OVERVIEW AND PROSPECTS

7.1 Malaysian economy

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 3Q 2009: -1.1%) (2019: 4.3%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%).

Weak growth was recorded across most economic sectors amid the imposition of the MCO, followed by the Conditional and Recovery MCO, during 2Q 2020. The services sector contracted by 16.2% (1Q 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to Conditional MCO (CMCO) in May and Recovery MCO (RMCO) in June provided some relief to businesses in the sector. The lockdown had substantially affected consumer spending and tourism activity, as shown by the significant declines in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors. The transport and storage sub-sector was impacted by a sudden stop in tourist arrivals due to travel restrictions imposed domestically as well as the international border closures. Growth in the finance and insurance sub-sector was weighed down by lower net interest income, and lower fee-based income amid subdued capital market activity. Meanwhile, growth in the information and communication sub-sector was relatively sustained by the continued high demand for data communication services especially during this period of remote working arrangements.

Economic activity in Malaysia contracted sharply in the first half of the year (-8.3%) as the measures introduced to contain the pandemic globally and domestically resulted in a concurrent supply and demand shock to the economy. However, growth is expected to have troughed in 2Q 2020. Economic activity has resumed significantly since the economy began to reopen in early May. Monthly indicators such as wholesale and retail trade, industrial production, electricity generation, and gross exports all grew faster in June than in the period between March and May.

The improvement in growth in 2H 2020 will also be supported by the recovery in global growth and continued policy support. In particular, consumption and investment activities are expected to benefit from the wide-range of measures in the fiscal stimulus packages, continued financial measures and low interest environment. With the reopening of economic activities, a concurrent improvement in labour market conditions is expected. Overall, the Malaysian economy is therefore forecasted to grow within the range of -3.5% to -5.5% in 2020, before staging a rebound within a growth range of 5.5% to 8.0% in 2021.

While there is upside potential to growth, the pace and strength of the recovery remain susceptible to downside risks emanating from domestic and external factors. Growth could potentially be lifted by a larger-than-expected impact from stimulus measures. Nevertheless, the prospect of secondary COVID-19 outbreaks leading to the re-imposition of containment measures, more persistent weakness in labour market conditions, and a weaker-than-expected recovery in global growth pose downside risks to growth.

(Sources: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020 and the press release as well as Annual Report 2019, BNM)

7.2 Video-conferencing industry in Malaysia

Video-conferencing is a technology that allows users in different locations to conduct virtual face-to-face communication. Video-conferencing systems comprise audio-visual hardware which include amongst others, cameras, speakers, microphones and remote controls, and software to facilitate video-conferencing. Video-conferencing systems are installed in places within premises where video-conferencing is commonly held, for instance in meeting rooms and conference rooms.

Due to the outbreak of COVID-19, the Government of Malaysia imposed a MCO throughout Malaysia from 18 March 2020 to 3 May 2020, conditional MCO from 4 May 2020 to 9 June 2020 and recovery MCO from 10 June 2020 to 31 December 2020; reimposition of conditional MCO in states and federal territories (e.g. Sabah, Selangor, Kuala Lumpur, Putrajaya and Labuan) that recorded alarming levels of COVID-19 infection cases in October 2020; as well as physical distancing rules to curb the spread of the virus. Due to the MCO, non-essential business premises and schools were closed, and business and social events were cancelled. These resulted in businesses, schools and individuals adopting alternative methods for face-to-face communication, to facilitate business, social, educational and health-related activities. The changing of in-person communication to virtual face-to-face communication has caused the proliferation of video-conferencing solutions.

Further, during the conditional MCO and recovery MCO period where business, social and educational activities were gradually allowed to be conducted, video-conferencing remained a primary medium for face-to-face communications. This is due to society adapting to the "new normal" of safe physical distancing, in order to minimise the exposure to the COVID-19 virus. As a result, many businesses and individuals, which prior to the COVID-19 pandemic did not widely adopt video-conferencing, are now widely using video-conferencing as an alternative to physical meetings, contributing to the increasing demand for video-conferencing solutions. As such, demand for video-conferencing has been boosted by the outbreak of the COVID-19 pandemic.

Among the various applications of video-conferencing which drive the demand for video-conferencing systems include telemedicine. Telemedicine refers to the provision of healthcare services using telecommunications, information and multimedia technologies to link stakeholders within the healthcare system. In Malaysia, telemedicine was initially utilised for healthcare practices in rural areas, where there is limited accessibility and availability of healthcare services. With the acceptance of the telemedicine concept by the general public, the development of telecommunication networks and multimedia technologies such as video-conferencing systems and smartphones, as well as the growing demand for healthcare services, telemedicine is now used by healthcare professionals to provide consultations, diagnosis and prescriptions of medical treatment on the phone or via video-conferencing, or collaboration of medical practices between healthcare professionals.

The size of the video-conferencing industry in Malaysia, as represented by the revenue of team collaboration solutions, grew from RM132.16 million in 2017 to RM165.91 million in 2019, at a compounded annual growth rate of 12.04%. Due to the continuous adoption of video-conferencing in the "new normal" as a medium for communication, Smith Zander forecasts the size of the video-conferencing industry to reach RM221.28 million in 2020, an increase of 33.37% from 2019.

(Source: IMR Report prepared by Smith Zander)

7.3 Prospects and future plans of the Group

In light of the unprecedented COVID-19 pandemic globally, the Malaysian Government has effected containment measures since mid-March 2020 through the implementation of the MCO and the subsequent conditional and recovery MCOs. While the Malaysian economy is expected to be significantly affected by the strict containment measures, the Group sees this as an opportunity for it to grow as multimedia video conferencing solutions have emerged as an important means of communication between colleagues, clients, business partners and other stakeholders during this period, while social distancing is maintained.

Recognising this opportunity, the Group has earmarked majority of the proceeds to be raised from the Rights Issue with Warrants to expand its video-conferencing business (in the field of telemedicine as well as broadcasting and livestreaming) and acquisitions and/or investments in complementary businesses and/or assets, details are as set out in Section 5 of this Abridged Prospectus.

The Group's investment in remote meeting and videotelephony systems will enable the Group to serve more customers across various industries and particularly, the telemedicine field. Currently, the Group is exploring opportunities to provide the Group's video-conferencing facilities to healthcare providers and the Group is currently in discussions to co-operate with potential partners in this respect.

The Group targets to provide up to 1,500 sets of video-conferencing equipment to healthcare providers over the next 3 years and if the Group manages to implement this plan successfully, the monthly subscription fees to be derived from these healthcare providers are expected to provide a stable and recurring income stream for the Group.

The demand for video-conferencing systems in the telemedicine field is expected to be driven by the increase in the demand for healthcare services attributable to:-

- **Growing accessibility to healthcare services**

GDP per capita in Malaysia grew at a compounded annual growth rate of 3.73% from RM40,620 in 2017 to RM43,706 in 2019. The increase in GDP per capita reflects a more affluent population that has greater spending power, creating demand for healthcare services. However, the GDP in Malaysia is forecasted to decline by -3.5% to -5.5% in 2020, and is expected to recover by 5.5% to 8.0% in 2021.

Rural to urban migration is increasing due to the availability of employment and educational opportunities to have higher standards of living. Over the period of 2017 to 2019, the percentage of urban population in Malaysia increased from 75.45% of the total population in 2017 to 76.61% of the total population in 2019. The percentage of urban population in Malaysia is expected to reach 80.00% of the total population in 2020.

A more affluent population that has greater spending power for healthcare services and the increasing rural to urban migration contribute to the growing accessibility to healthcare services which include telemedicine, and this will drive the demand for video-conferencing systems to facilitate the provision of telemedicine.

- **Rising population and growing aging population**

Over the period of 2017 to mid-2020, the population of Malaysia increased by 2.00% from 32.02 million to 32.66 million and is projected to increase by 16.53% in the next 10 years, to reach 38.06 million in 2030.

The demographics of the population is shifting, with decreasing younger population and increasing older population. The percentage of population above 65 years of age increased from 6.25% of the population in 2017 to an estimated 7.02% of the total population in 2020. It is estimated that the population above 65 years of age will increase to 4.07 million in the year 2030 (representing 10.70% of the total population).

An aging population signifies greater demand for healthcare services which include telemedicine, subsequently driving demand for video-conferencing systems to facilitate the provision of telemedicine.

- **Rising prevalence of chronic and contagious diseases**

There has been increasing incidences of chronic diseases mainly attributable to more stressful lifestyles, consumption of processed foods which generally have higher saturated fat content and lower nutritional values, and a more sedentary lifestyle with lack of regular exercise.

Further, as the society adapts to the “new normal” of safe physical distancing due to the COVID-19 pandemic, the demand for video-conferencing systems is expected to increase. With reduced non-urgent physical visits to medical facilities, the risk of cross-contamination amongst healthcare professionals and patients could be reduced.

(Sources: IMR Report and the press release on the Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, BNM)

Further, the setting up of a broadcasting and livestreaming centre, which is to cater for the increasing demand for venues to host virtual events such as general meetings, corporate events, townhall meetings and social media conventions, is expected to bode well with the Group’s future prospects. Due to the continuous adoption of video-conferencing in the “new normal” as a medium for communication, Smith Zander forecasts the size of the video-conferencing industry in Malaysia to reach RM221.28 million in 2020, an increase of 33.37% from 2019.

Moving forward, the Group will continue to monitor for opportunities to expand its business in the ICT industry such as video conferencing and mobile applications including undertaking research and development in unique solutions that may benefit from or capitalise on the ongoing trend in ‘digitalisation’ of the economy.

The proceeds of up to RM25.0 million under the Maximum Scenario which are earmarked to finance the acquisitions and/or investments in any suitable and complementary businesses and/or assets allow the Group to immediately capitalise on any such opportunities which may arise.

Premised on the above, the Board is cautiously optimistic of the prospects of the Group moving forward.

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8. EFFECTS OF THE CORPORATE EXERCISES

8.1 Share capital

The pro forma effects of the Corporate Exercises on the issued share capital of the Company are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	Share capital (RM)	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	1,258,539,027	54,851,682	1,258,539,027	54,851,682
After the Share Consolidation	125,853,902	54,851,682	125,853,902	54,851,682
New Shares to be issued pursuant to the Rights Issue with Warrants	111,111,112	4,309,259 ⁽¹⁾	755,123,412	29,286,203 ⁽¹⁾
Enlarged issued share capital after the Rights Issue with Warrants	236,965,014	59,160,941	880,977,314	84,137,885
New Shares to be issued assuming full exercise of the Warrants C	64,814,814	11,524,074 ⁽²⁾	440,488,657	78,318,883 ⁽²⁾
Enlarged issued share capital	301,779,828	70,685,015	1,321,465,971	162,456,768

Notes:-

- (1) Based on the issue price of RM0.09 per Rights Share and after accounting for the creation of warrants reserve at an allocated fair value of RM0.0878 per Warrant C (computed based on the Trinomial option pricing model with data sourced from Bloomberg).
- (2) Based on the Exercise Price of RM0.09 per Warrant C and after accounting for the reversal of warrants reserve.

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8.2 NA and gearing

As at the LPD, there are no material transactions which may have a material effect on the operations, financial position and results of the Group since the Group's latest audited FYE 30 June 2020.

The pro forma effects of the Corporate Exercises on the NA and gearing of the Group are as follows:-

Minimum Scenario

	(I) After adjusting for subsequent events ⁽¹⁾ (RM'000)	(II) After (I) and Share Consolidation (RM'000)	(III) After (II) and Rights Issue with Warrants ⁽²⁾ (RM'000)	(IV) After (III) and assuming full exercise of Warrants C ⁽³⁾ (RM'000)
Group level				
Share capital	42,553	54,852	59,161	70,685
Warrant reserve	43,930	-	5,691	-
Foreign translation reserve	109	109	109	109
(Accumulated losses) / Retained earnings	(39,610)	950	150	150
Shareholders' equity / NA	46,982	55,911	65,111	70,944
Non-controlling interest	2,000	2,000	2,000	2,000
Total equity	48,982	57,911	67,111	72,944
No. of Shares in issue ('000)	1,026,174	1,258,539	236,965	301,780
NA per Share (RM)	0.05	0.04	0.27	0.24
Total borrowings (RM'000)	1,236	1,236	1,236	1,236
Gearing ratio (times)	0.03	0.02	0.02	0.02

Notes:-

(1) After accounting for the following:-

- (i) issuance of 65,000,000 new Shares on 5 August 2020 arising from the exercise of ESOS Options at the exercise price of RM0.05 each;

- (ii) issuance of a total of 167,365,000 new Shares pursuant to a private placement exercise which was undertaken at the following issue prices:-

Date of issuance	Issue price	No. of placement shares
8 July 2020	RM0.0318	110,000,000
21 July 2020	RM0.0452	57,365,000
		167,365,000

- (iii) expiry of 186,855,358 warrants 2017/2020 on 10 September 2020.
- (2) Based on an issue price of RM0.09 per Rights Share and after accounting for the creation of warrant reserve based on the issuance of 64,814,814 Warrants C at an allocated fair value of RM0.0878 per Warrant C (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses for the Corporate Exercises of approximately RM0.80 million.
- (3) Based on the Exercise Price of RM0.09 per Warrant C and after accounting for the reversal of warrants reserve.

Maximum Scenario

	(i) Audited as at 30 June 2020 (RM'000)	(ii) After adjusting for subsequent events ⁽¹⁾ (RM'000)	(iii) After (i) and Share Consolidation (RM'000)	(iii) After (ii) and Rights Issue with Warrants ⁽²⁾ (RM'000)	(iv) After (iii) and assuming full exercise of Warrants C ⁽³⁾ (RM'000)
Group level					
Share capital	42,553	54,852	54,852	84,138	162,457
Warrant reserve	43,930	-	-	38,675	-
Foreign translation reserve	109	109	109	109	109
(Accumulated losses) / Retained earnings	(39,610)	950	950	150	150
Shareholders' equity / NA	46,982	55,911	55,911	123,072	162,716
Non-controlling interest	2,000	2,000	2,000	2,000	2,000
Total equity	48,982	57,911	57,911	125,072	164,716
No. of Shares in issue ('000)	1,026,174	1,258,539	125,854	880,977	1,321,466
NA per Share (RM)	0.05	0.04	0.44	0.14	0.12
Total borrowings (RM'000)	1,236	1,236	1,236	1,236	1,236
Gearing ratio (times)	0.03	0.02	0.02	0.01	0.01

Notes:-

(1) After accounting for the following:-

- (i) issuance of 65,000,000 new Shares on 5 August 2020 arising from the exercise of ESOS Options at the exercise price of RM0.05 each;
- (ii) issuance of a total of 167,365,000 new Shares pursuant to a private placement exercise which was undertaken at the following issue prices:-

Date of issuance	Issue price	No. of placement shares
8 July 2020	RM0.0318	110,000,000
21 July 2020	RM0.0452	57,365,000
		167,365,000

- (iii) expiry of 186,855,358 warrants 2017/2020 on 10 September 2020.
- (2) Based on an issue price of RM0.09 per Rights Share and after accounting for the creation of warrant reserve based on the issuance of 440,488,657 Warrants C at an allocated fair value of RM0.0878 per Warrant C (computed based on the Trinomial option pricing model with data sourced from Bloomberg) and estimated expenses for the Corporate Exercises of approximately RM0.80 million.
- (3) Based on the Exercise Price of RM0.09 per Warrant C and after accounting for the reversal of warrants reserve.

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8.3 Substantial Shareholders' shareholdings

The substantial Shareholders of the Company based on the Register of Substantial Shareholders as at the LPD and the pro forma effects of the Rights Issue with Warrants on their shareholdings are as follows:-

Minimum Scenario

Substantial Shareholders	As at the LPD			(1) After the Share Consolidation			
	Direct		Indirect	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
First United Technology Limited	133,200,000	10.58	-	13,320,000	10.58	-	-
NetX Holdings Berhad	-	-	133,200,000	-	-	13,320,000	10.58 ⁽³⁾
Asiabio Capital Sdn Bhd	75,100,000	5.97	-	7,510,000	5.97	-	-
Fintec Global Berhad	-	-	75,100,000	-	-	7,510,000	5.97 ⁽⁴⁾
Tan Sik Eek	1,000,000	0.08	-	100,000	0.08	-	-
Ong Tee Kein	1,000,000	0.08	-	100,000	0.08	-	-

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Substantial Shareholders	(II) After (I) and the Rights Issue with Warrants			(III) After (II) and assuming full exercise of the Warrants C		
	Direct		Indirect	Direct		Indirect
	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁶⁾	No. of Shares	% ⁽⁶⁾
First United Technology Limited	13,320,000	5.62	-	-	13,320,000	4.41
NetX Holdings Berhad	-	-	13,320,000	5.62 ⁽³⁾	-	-
Asiablo Capital Sdn Bhd	7,510,000	3.17	-	-	7,510,000	2.49
Fintec Global Berhad	-	-	7,510,000	3.17 ⁽⁴⁾	-	-
Tan Sik Eek	55,655,556	23.49	-	-	88,062,963	29.18
Ong Tee Kein	55,655,556	23.49	-	-	88,062,963	29.18
					13,320,000	4.41 ⁽³⁾
					7,510,000	2.49 ⁽⁴⁾

Notes:-

- (1) Computed based on the total number of 1,258,539,027 Shares as at the LPD.
- (2) Computed based on the total number of 125,853,902 Shares after the Share Consolidation.
- (3) Deemed interest by virtue of its interest in First United Technology Limited pursuant to Section 8 of the Act.
- (4) Deemed interest by virtue of its interest in Asiablo Capital Sdn Bhd pursuant to Section 8 of the Act.
- (5) Computed based on the enlarged total number of 236,965,014 Shares after the Rights Issue with Warrants.
- (6) Computed based on the enlarged total number of 301,779,828 Shares assuming full exercise of the Warrants C.

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- (4) Deemed interest by virtue of its interest in Asiabio Capital Sdn Bhd pursuant to Section 8 of the Act.
- (5) Computed based on the enlarged total number of 880,977,314 after the Rights Issue with Warrants.
- (6) Computed based on the enlarged total number of 1,321,465,971 assuming full exercise of the Warrants C.

8.4 Losses and LPS

The Board expects the Corporate Exercises to contribute positively to the future financial performance of the Group via the utilisation of proceeds as set out in Section 5 of this Abridged Prospectus.

Subsequent to the completion of the Corporate Exercises, the LPS of the Group shall be correspondingly diluted as a result of the increase in the number of Rights Shares to be issued and the exercise of the Warrants C during the Exercise Period.

The potential effects of the Rights Issue with Warrants on the future consolidated earnings and EPS (or LPS) of the Company will depend on, amongst others, the number of Warrants C exercised at any point in time and the level of returns generated from the utilisation of the proceeds to be raised from the Rights Issue with Warrants.

For illustration, the pro forma effects of the Corporate Exercises on the consolidated losses and LPS of the Company are as follows:-

	Audited FYE 30 June 2020	After the Share Consolidation	Pro forma I		Pro forma II	
			After the Rights Issue with Warrants		After Pro forma I and assuming full exercise of the Warrants C	
			Minimum Scenario	Maximum Scenario	Minimum Scenario	Maximum Scenario
LAT attributable to owners of the Company (RM'000)	(25,756)	(25,756)	(26,556) ⁽¹⁾	(26,556) ⁽¹⁾	(26,556) ⁽¹⁾	(26,556) ⁽¹⁾
Weighted average number of Shares in issue ('000)	734,403	73,440	184,551	828,563	249,366	1,269,052
Basic LPS (sen)	(3.51)	(35.07)	(14.39)	(3.21)	(10.65)	(2.09)

Note:-

- (1) After accounting for estimated expenses for the Corporate Exercises of approximately RM0.80 million.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital and sources of liquidity

The Group's working capital is funded through cash generated from operating activities, proceeds from the issuance of equity securities as well as the Group's existing cash and bank balances.

As at the LPD, the Group's cash and bank balances stood at RM27.95 million.

The Board confirmed that, after taking into consideration the funds generated from the Company's operations as well as the proceeds to be raised from the Rights Issue with Warrants, the Group will have sufficient working capital available for a period of 12 months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, the Group's total outstanding borrowings (all of which are interest bearing and denominated in RM) are set out as follows:-

Borrowings	Total (RM'000)
<u>Short term borrowing (secured)</u>	
- Hire purchase	49
<u>Long term borrowing (secured)</u>	
- Hire purchase	161
Total	210

There has not been any default on payments of either interest and/or principal sums on any borrowings throughout the past 1 financial year and subsequent financial period up to the LPD.

9.3 Contingent liabilities

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

9.4 Material commitments

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

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10. 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 C 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 CMSA, 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.

10.1 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 C that you have been provisionally allotted as well as to apply for Excess Rights Shares with Warrants C if you choose to do so. This Abridged Prospectus and the RSF are also available at the registered office of the Company, the Share Registrar or on Bursa Securities' website (<http://www.bursamalaysia.com>).

10.2 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.

10.3 Methods of acceptance and application

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

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

10.4 Procedures for acceptance and payment

10.4.1 By way of RSF

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

OR

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

so as to arrive not later than 5.00 p.m. on **Monday, 30 November 2020**, being the last date and time for the acceptance and payment for the Rights Shares with Warrants C.

If you lose, misplace or for any other reason require another copy of the RSF, you may obtain additional copies from the registered office of the Company, 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 C 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 C will be given the Warrants C on the basis of 7 Warrants C for every 12 Rights Shares successfully subscribed for. The minimum number of Rights Shares that can be subscribed or accepted is 1 Rights Share. However, you should take note that a trading board lot comprises 100 Rights Shares and 100 Warrants C. Fractions of a Rights Share and/or Warrant C 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 interest of the Company. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar.

In the event that the Rights Shares with Warrants C are not fully taken up by such applicants, the Board will then have the right to allot such Rights Shares with Warrants C to the applicants who have applied for the Excess Rights Shares with Warrants C in the manner as set out in Section 10.7 of this Abridged Prospectus. The Board reserves the right to accept any applicant in full or in part only without assigning any reasons.

A Notification on the Rights Issue with Warrants enclosing the NPA and RSF will be sent to all Entitled Shareholders on the date of the issuance of the Abridged Prospectus. The Abridged Prospectus can be viewed or downloaded from the Company's website at <http://mlabs.com> or from Bursa Malaysia Securities' website at <https://bursamalaysia.com>. You may also request for a copy of the printed Abridged Prospectus from the Share Registrar 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

Tel : +603 - 2783 9299

Fax : +603 - 2783 9222

However, only Entitled Shareholders who have an address in Malaysia as stated in the Record of Depositors or who have provided the Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this Notification of the Rights Issue with Warrants together with the NPA and RSF.

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 SHARES 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 the Share Registrar by 5.00 p.m. on **Monday, 30 November 2020**. 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.

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 THE SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES MUST BE MADE IN ACCORDANCE WITH THE RSF ENCLOSED WITH THIS ABRIDGED PROSPECTUS AND MUST BE COMPLETED STRICTLY IN ACCORDANCE WITH THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. ACCEPTANCES AND/OR PAYMENTS WHICH DO NOT CONFORM WITH THE TERMS AND CONDITIONS OF THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF OR WHICH ARE ILLEGIBLE MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF THE BOARD. THE SHARE REGISTRAR WILL NOT CONTACT YOU AND/OR YOUR RENOUNCEE(S) / TRANSFEREE(S) (IF APPLICABLE) FOR SUCH ACCEPTANCES.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE CREDITED INTO YOUR BANK ACCOUNT REGISTERED WITH BURSA DEPOSITORY FOR THE PURPOSE OF CASH DIVIDEND/DISTRIBUTION. IF YOU HAVE NOT REGISTERED SUCH BANK ACCOUNT WITH BURSA DEPOSITORY THE REFUND WILL BE MADE BY ISSUANCE OF CHEQUE AND SHALL BE DESPACHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.

10.4.2 By way of e-Subscription

You and/or your renounees and/or transferees (if applicable) can have the option to accept your or their entitlement to the Provisional Allotments and payment for the Provisional Allotments through e-Subscription available from TIIH Online website at <https://tiih.online>. The e-Subscription is available to all Entitled Shareholders including individuals, corporations or institutional Shareholders.

Subsequent to the Entitlement Date, the Company will, at its discretion, authorise the Share Registrar to send an electronic notification to the Registered Entitled Shareholders. If you are a Registered Entitled Shareholder, you will be notified on the availability of e-Subscription for the Rights Issue with Warrants on TIIH Online website.

The e-NPA and the e-RSF are available to you upon your login to TIIH Online. You are advised to read the instructions as well as the terms and conditions of the e-Subscription.

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

- (a) any e-Subscription received by the Share Registrar after the Closing Date for Acceptance, Excess Application and Payment shall be regarded as null and void and of no legal effect unless the Board in its absolute discretion determines otherwise. Any e-Subscription, once received by the Share Registrar from you, is irrevocable and shall be binding on you;
- (b) you will receive notification to login to TIIH Online in respect of your shareholding in your CDS Account(s). Accordingly, for each CDS Account, you can choose to subscribe the Rights Shares with Warrants C which you are entitled to in whole or part thereof as stipulated in this Abridged Prospectus;
- (c) the e-Subscription made must be in accordance with the procedures of submitting e-Subscription using TIIH Online, the terms and conditions of e-Subscription, this Abridged Prospectus and the e-RSF. Any e-Subscription submitted that does not conform to the terms and conditions of TIIH Online, this Abridged Prospectus and the e-RSF may not be accepted at the sole discretion of the Company. The Company reserves the right at its absolute discretion to reject any e-Subscription which are incomplete or incorrectly completed;
- (d) the number of Rights Shares with Warrants C you are entitled to under the Rights Issue with Warrants is set out in the e-RSF. You are required to indicate the number of Rights Shares with Warrants C you wish to accept and number of Excess Rights Shares with Warrants C you wish to apply in the e-RSF;
- (e) the e-Subscription must be accompanied by remittance in RM which is to be made through online payment gateway or telegraphic transfer;
- (f) a handling fee of **RM5.00 per e-RSF** is payable should you make e-Subscription. You will also need to pay a stamp duty of RM10.00 for each e-RSF; and
- (g) the Rights Shares with Warrants C accepted and Excess Rights Shares with Warrants C applied (if successful pursuant to Procedure for Excess Rights Shares Application as stated in this Abridged Prospectus) will be issued and credited into your CDS Account as stated in the Record of Depositors as at the last date for transfer of Provisional Allotments.

All Entitled Shareholders who wish to opt for e-Subscription, either in full or in part of your Provisional Allotments, please read and follow the procedures set below: -

(i) Sign up as a user of TIIH Online

- (a) Access TIIH Online at <https://tiih.online>.
- (b) Under e-Services, select "Sign Up" – "Create Individual Account" (applicable for individual Shareholders) or "Create Corporate Holder Account" (applicable for corporation or institutional Shareholders). You may refer to the tutorial guide posted on the homepage for assistance.

- (c) Registration will be verified and you will be notified by email within two working days.
- (d) Proceed to activate your account with the temporary password given in the email and reset your own password.

Note: An email address is allowed to be used once to register as a new user account, and the same email address cannot be used to register another user account. If you are already a user of TIIH Online, you are not required to sign up again. If you are signing up to represent a Corporate Holder Account(s), please contact the Share Registrar for further details and requirements.

(ii) Procedures to make e-Subscription

Individual Registered Entitled Shareholders

- (a) Login to TIIH Online at <https://tiih.online>.
- (b) Select the corporate exercise name: MLABS Rights Issue with Warrants.
- (c) Read and agree to the Terms & Conditions and confirm the Declaration.
- (d) Preview your CDS Account details and your Provisional Allotments.
- (e) Select the relevant CDS Account and insert the number of Rights Shares with Warrants C to subscribe and the number of Excess Rights Shares with Warrants C to apply (if applicable) in the e-RSF.
- (f) Review and confirm the number of Rights Shares with Warrants C which you are subscribing and the number of Excess Rights Shares with Warrants C you are applying (if applicable) and the total amount payable for the Rights Shares with Warrants C and Excess Rights Shares with Warrants C (if applicable).
- (g) Review the payment of stamp duty at RM10 for each e-RSF and handling fee of RM5 for each e-RSF which is included in the total amount payable.
- (h) Proceed to pay via online payment gateway either through Maybank2U or any Financial Process Exchange (FPX) participating bank which you have an internet banking account.
- (i) As soon as the online payment is completed, a confirmation message with details of your subscription and payment from TIIH Online and the relevant payment gateway will be sent to your registered e-mail address.
- (j) Print the payment receipt and your e-RSF for your reference and record.

Corporation or Institutional Registered Entitled Shareholders

- (a) Login to TIIH Online at <https://tiih.online>.
- (b) Select the corporate exercise name: MLABS Rights Issue with Warrants.
- (c) Agree to the Terms & Conditions and Declaration.
- (d) Proceed to download the "e-RSF file of Provisional Allotments".
- (e) Preview the respective CDS Account details and its Provisional Allotments.
- (f) Arrange to pay for the subscription of Rights Shares with Warrants C and Excess Rights Shares with Warrants C via telegraphic transfer into the designated bank account as follows:-

Account Name:	MLABS RIGHTS SHARES ACCOUNT	MLABS EXCESS RIGHTS SHARES ACCOUNT
Bank:	Malayan Banking Berhad	Malayan Banking Berhad
Bank Account No.:	514012431109	514012431116

- (g) Arrange to pay stamp duty at RM10.00 for each e-RSF and handling fee of RM2.00 for each e-RSF into the Share Registrar's bank account as follows:

Account Name:	TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Bank:	Malayan Banking Berhad
Bank Account No.:	514012025081

- (h) Once payments are completed, prepare the submission of your subscriptions by translating the data into the "e-RSF file on the Provisional Allotments".
- (i) Login to TIIH Online, select corporate exercise name: MLABS Rights Issue with Warrants and proceed to upload the subscription file duly completed.
- (j) Select "Submit" to complete your submission.
- (k) Print the confirmation report of your submission for your record.

(iii) Terms and conditions for e-Subscription

The e-Subscription of Rights Shares with Warrants C and Excess Rights Shares with Warrants C (if successful), shall be made on and subject to the terms and conditions appearing herein:-

- (a) After login to TIIH Online, you are required to confirm and declare the following information given are true and correct:-

- (i) you have attained 18 years of age as at the last day for subscription and payment;
 - (ii) you have, prior to making the e-Subscription, received a printed copy of this Abridged Prospectus and/or have had access to this Abridged Prospectus from Bursa Securities' website at www.bursamalaysia.com, the contents of which you have read and understood;
 - (iii) you agree to all the terms and conditions for the e-Subscription as set out in this Abridged Prospectus and have carefully considered the risk factors as set out in this Abridged Prospectus, in addition to all other information contained in this Abridged Prospectus, before making the e-Subscription application;
- (b) you agree and undertake to subscribe for and to accept the number of Rights Shares with Warrants C and Excess Rights Shares with Warrants C applied (if applicable) for as stated in the e-RSF. Your confirmation of your subscription will signify, and will be treated as, your subscription of the number of Rights Shares with Warrants C that may be allotted to you.
- (c) by making and completing your e-Subscription, you, if successful, request and authorise Share Registrar or the Company to credit the Rights Shares with Warrants C allotted to you into your CDS Account;
- (d) you acknowledge that your e-Subscription is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of the Company or the Share Registrar and irrevocably agree that if:-
 - (i) the Company or the Share Registrar does not receive your e-Subscription; or
 - (ii) data relating to your e-Subscription application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to the Share Registrar, you will be deemed not to have made an e-Subscription and you may not make any claim whatsoever against the Company or the Share Registrar for the Rights Shares with Warrants C accepted and/or Excess Rights Shares with Warrants C applied for or for any compensation, loss or damage relating to the e-Subscription.
- (e) you will ensure that your personal particulars recorded with TIIH Online and Bursa Depository are correct. Otherwise, your e-Subscription may be rejected; you must inform Bursa Depository promptly of any change in address failing which the notification on the outcome of your e-Subscription will be sent to your address last maintained with Bursa Depository.

- (f) by making and completing an e-Subscription, you agree that:-
- (i) in consideration of the Company agreeing to allow and accept your e-Subscription for the Provisional Allotment and Excess Rights Shares with Warrants C applied (if applicable), your e-Subscription is irrevocable and cannot be subsequently withdrawn; and
 - (ii) the Share Registrar will not be liable for any delays, failures or inaccuracies in the processing of data relating to your e-Subscription due to a breakdown or failure of transmission or communication facilities or to any cause beyond the Company's control.
- (g) the Share Registrar, on the authority of the Company, reserves the right to reject applications which do not conform to these instructions.
- (h) notification on the outcome of your e-Subscription for the Rights Shares with Warrants C and Excess Rights Shares with Warrants C will be despatched to you by ordinary post to the address as shown in the Record of Depositors of the Company at your own risk within the timelines as follows:-
- (i) successful application - a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Rights Shares; or
 - (ii) unsuccessful/partially successful application - the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day of application and payment for the Rights Shares.

The refund will be credited directly into your bank account if you have registered such bank account information to Bursa Depository for the purposes of cash dividend/distribution. If you have not registered such bank account information to Bursa Depository the refund will be by issuance of cheque and sent by ordinary mail to your last address maintained with Bursa Depository at your own risk.

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. THE REFUND WILL BE CREDITED INTO YOUR BANK ACCOUNT REGISTERED WITH BURSA DEPOSITORY FOR THE PURPOSE OF CASH DIVIDEND/DISTRIBUTION. IF YOU HAVE NOT REGISTERED SUCH BANK ACCOUNT WITH BURSA DEPOSITORY THE REFUND WILL BE MADE BY ISSUANCE OF CHEQUE AND SHALL BE DESPATCH BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.

ALL RIGHTS SHARES AND WARRANTS C TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING SUCH RIGHTS SHARES AND THE WARRANTS C INTO THE CDS ACCOUNTS OF THE SUCCESSFUL APPLICANTS. 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 the Share Registrar by 5.00 p.m. on **Monday, 30 November 2020**, 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 C not validly taken up to applicants applying for the Excess Rights Shares with Warrants C in the manner as set out in Section 10.7 of this Abridged Prospectus.

10.5 Procedures for part acceptance

If you do not wish to accept the Rights Shares with Warrants C provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed / applied for. The minimum number of Rights Shares that may be subscribed or accepted is 1 Rights Share. Fractions of a Rights Share and/or Warrant C 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 Rights Shares and 100 Warrants C respectively.

You must complete both Part I(A) of the RSF by specifying the number of Rights Shares with Warrants C 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 Sections 10.4.1 and 10.4.2 of this Abridged Prospectus.

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

10.6 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 C applied for to the Share Registrar. Please refer to Sections 10.4.1 and 10.4.2 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.

10.7 Procedures for the Excess Rights Shares with Warrants C Application

10.7.1 By Way of RSF

If you wish to apply for additional Rights Shares with Warrants C 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 C applied for, to the Share Registrar so as to arrive not later than 5.00 p.m. on **Monday, 30 November 2020**, being the last time and date for Excess Rights Shares with Warrants C Applications and payment.

Payment for the Excess Rights Shares with Warrants C Application(s) be made in the same manner as set out in Section 10.4.1 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 SHARES 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 the Share Registrar by 5.00 p.m. on **Monday, 30 November 2020**. The payment must be made for the exact amount payable for the Excess Rights Shares with Warrants C Applications. 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.

10.7.2 By Way of e-Subscription

If you are an Entitled Shareholder and/or a renounee/transferee who is an individual, you may apply for the Excess Rights Shares with Warrants C via e-Subscription in addition to your Provisional Allotments. If you wish to do so, you may apply for the Excess Rights Shares with Warrants C by following the same steps as set out in Section 10.4.2 of this Abridged Prospectus.

The e-Subscription for Excess Rights Shares with Warrants C will be made on, and subject to, the same terms and conditions appearing in Section 10.4.2 of this Abridged Prospectus.

It is the intention of the Board to allot the Excess Rights Shares with Warrants C, 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 C, 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 C, taking into consideration the quantum of their respective Excess Rights Shares with Warrants C Applications; and
- (iv) finally, on a pro-rata basis and in board lots, to the transferee(s) and/or renounee(s) who have applied for Excess Rights Shares with Warrants C, taking into consideration the quantum of their respective Excess Rights Shares with Warrants C Applications.

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

Notwithstanding the foregoing, the Board reserves the right to allot any Excess Rights Shares with Warrants C 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 10.7.2 (i), (ii), (iii) and (iv) above is achieved. The Board also reserves the right at its absolute discretion not to accept any application for Excess Rights Shares with Warrants C, 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 C APPLICATION OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE 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.

EXCESS RIGHTS SHARES WITH WARRANTS C 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 C APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE CREDITED INTO YOUR BANK ACCOUNT REGISTERED WITH BURSA DEPOSITORY FOR THE PURPOSE OF CASH DIVIDEND/DISTRIBUTION. IF YOU HAVE NOT REGISTERED SUCH BANK ACCOUNT WITH BURSA DEPOSITORY THE REFUND WILL BE MADE BY ISSUANCE OF CHEQUE AND SHALL BE DESPATCH BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.

10.8 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 C and/or payment is the same as that which is applicable to the Entitled Shareholders as described in Sections 10.3 to 10.7 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 the Company, 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.

10.9 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 C. 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 C and application for Excess Rights Shares with Warrants C, if any, shall signify your consent to receiving such Rights Shares with Warrants C as deposited securities that will be credited directly into your CDS Account. No physical certificates will be issued.

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 C that you subscribed for will be credited into the CDS Accounts where the Provisional Allotments are standing to the credit.

10.10 Notice of allotment

Within 5 Market Days after the Closing Date, the Company will make the relevant announcements in relation to the subscription rate of the Rights Issue with Warrants.

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

Where any application for the Rights Shares is not accepted due to non-compliance with the terms of the Rights Issue with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you. The refund will be credited directly into your bank account if you have registered such bank account information to Bursa Depository for the purposes of cash dividend/distribution. If you have not registered such bank account information to Bursa Depository, the refund will be by issuance of cheque and will be despatched to you within 15 Market Days from the Closing Date by ordinary post to the address last shown on the Record of Depositors at your own risk.

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

10.11 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 C 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 or otherwise within Malaysia.

As a result, this Abridged Prospectus, the NPA and the RSF have not been (and will not be) sent to the 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 at 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.

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 the Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. 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 its absolute discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Allotments relating to any acceptance which is treated as invalid will be included in the pool of Rights Shares with Warrants C 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 C, 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 C 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 C; 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 C, 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 C.

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 C UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.

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11. TERMS AND CONDITIONS

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

12. FURTHER INFORMATION

You are requested to refer to the enclosed Appendix I for further information.

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



TAN SIK EEK
Executive Director

APPENDIX I - INFORMATION ON THE COMPANY**1. SHARE CAPITAL**

As at the LPD, the issued share capital of the Company is RM54,851,682 comprising 1,258,539,027 Shares.

2. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Please refer to Section 8.3 of this Abridged Prospectus for information on the substantial Shareholders' shareholdings before and after the Rights Issue with Warrants.

3. DIRECTORS

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

Name (Designation)	Age	Address	Nationality
General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd) <i>(Independent Non-Executive Director / Chairman)</i>	73	No. 6, Jalan Pungguk 6/4F Section 6 40000 Shah Alam Selangor Darul Ehsan	Malaysian
Mejar Dato' Ismail bin Ahmad (R) <i>(Non-Independent Non-Executive Director)</i>	71	No. 2, Jalan Kapur 3/3 Seksyen 3 40000 Shah Alam Selangor Darul Ehsan	Malaysian
Ong Tee Kein <i>(Non-Independent Non-Executive Director)</i>	63	85, Medan Athinahapan Dua Taman Tun Dr. Ismail 60000 Kuala Lumpur	Malaysian
Professor Dr. Sureswaran Ramadass <i>(Independent Non-Executive Director)</i>	54	14 Jalan Bayan Mutiara 10 D' Residence Bayan Lepas 11900 Penang	Malaysian
Chuah Hoon Hong <i>(Independent Non-Executive Director)</i>	34	2-1, Lagenda Mas Villa Lot 156, Jalan Matang 3 Taman Sri Kuching 51200 Kuala Lumpur	Malaysian
Tan Sik Eek <i>(Executive Director)</i>	44	Unit D16-15, 16th Floor Residency @ Park 51 Jalan 51A/241, Seksyen 51A, 47000 Petaling Jaya Selangor Darul Ehsan	Malaysian

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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. The pro forma effects of the Rights Issue with Warrants on the Directors' shareholding are as follows:-

Minimum Scenario

Directors	As at the LPD				(I) After the Share Consolidation			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Tan Sik Eek	1,000,000	0.08	-	-	100,000	0.08	-	-
Ong Tee Kein	1,000,000	0.08	-	-	100,000	0.08	-	-
Professor Dr. Sureswaran Ramadass	335,132	0.03	38,299	-(3)	33,513	0.03	3,829	-(3)

Directors	(II) After (I) and the Rights Issue with Warrants				(III) After (II) and assuming full exercise of the Warrants C			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
Tan Sik Eek	55,655,556	23.49	-	-	88,062,963	29.18	-	-
Ong Tee Kein	55,655,556	23.49	-	-	88,062,963	29.18	-	-
Professor Dr. Sureswaran Ramadass	33,513	0.01	3,829	-(3)	33,513	0.01	3,829	-(3)

Notes:-

- (1) Computed based on the total number of 1,258,539,027 Shares as at the LPD.
- (2) Computed based on the total number of 125,853,902 Shares after the Share Consolidation.
- (3) Negligible.
- (4) Computed based on the enlarged total number of 236,965,014 Shares after the Rights Issue with Warrants.
- (5) Computed based on the enlarged total number of 301,779,828 Shares assuming full exercise of the Warrants C.

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

A summary of the historical financial information of the Group is as follows:-

Historical financial performance

	Audited		
	FYE 30 June 2020	15-month FPE 30 June 2019	FYE 31 March 2018
	(RM'000)	(RM'000)	(RM'000)
Revenue	8,319	7,786	2,104
Cost of sales	(7,268)	(6,065)	(1,333)
Gross profit	1,051	1,721	771
Other income	1,665	1,721	880
Administrative and operating expenses	(11,730)	(4,809)	(4,465)
Selling and distribution expenses	-	(3,005)	(7)
Other operating expenses	(16,940)	(1,342)	(1,220)
Finance costs	(59)	-	-
LBT	(26,013)	(5,714)	(4,041)
Tax expense	-	-	_(1)
LAT	(26,013)	(5,714)	(4,041)
LAT attributable to:-			
- owners of the Company	(25,756)	(5,535)	(3,895)
- non-controlling interests	(257)	(179)	(146)
Gross profit margin (%)	12.63	22.10	36.64
LAT margin (%)	(312.69)	(73.39)	(192.06)
Weighted average number of Shares ('000)	734,403	670,504	413,356
Basic LPS (sen)	(3.51)	(0.83)	(0.94)

Note:-

(1) Negligible.

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

Historical financial position

	Audited		
	FYE 30 June 2020	15-month FPE 30 June 2019	FYE 31 March 2018
	(RM'000)	(RM'000)	(RM'000)
Non-current assets	21,625	35,010	2,802
Current assets	29,305	35,163	63,394
Total assets	50,930	70,173	66,196
Share capital	42,553	30,626	30,626
Reserves	4,429	30,106	35,641
Shareholders' equity / NA	46,982	60,732	66,267
Non-controlling interests	2,000	2,162	(299)
Total equity	48,982	62,894	65,968
Non-current liabilities	688	-	-
Current liabilities	1,260	7,279	228
Total liabilities	1,948	7,279	228
Total equity and liabilities	50,930	70,173	66,196

Historical cash flow

	Audited		
	FYE 30 June 2020	15-month FPE 30 June 2019	FYE 31 March 2018
	(RM'000)	(RM'000)	(RM'000)
Net cash from / (used in)			
Operating activities	(8,894)	(234)	(19,475)
Investing activities	(162)	(22,055)	(161)
Financing activities	8,452	(2)	64,381
Net increase / (decrease) in cash and cash equivalents	(604)	(22,291)	44,745
Effects of changes in exchange rate	502	-	-
Cash and cash equivalents at beginning of the year / period	22,592	44,883	138
Cash and cash equivalents at end of the year / period	22,490	22,592	44,883

(i) FYE 30 June 2020 vs 15-month FPE 30 June 2019 (annualised)

For the FYE 30 June 2020, the Group recorded revenue of RM8.32 million, an increase of RM2.09 million or 33.55% from RM6.23 million (annualised) for the 15-month FPE 30 June 2019. This was mainly contributed by the higher sales of the enhanced version of "Let's Talk" mobile application (which includes additional functions over the basic version) which was launched in June 2019 due to a new contract which was signed in April 2019. The enhanced version of "Let's Talk" mobile application has additional features over the basic version, which enables users to send secure texts and make voice calls securely through the mobile application. Unlike the earlier basic version, this enhanced version provides users with the ability to host calls at their own server, thus allowing for completely private and secure calls.

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

Despite the higher revenue, the Group recorded a lower gross profit of RM1.05 million (gross profit margin of 12.63%) for the FYE 30 June 2020 as compared to RM1.38 million (annualised) (gross profit margin of 22.10%) for the 15-month FPE 30 June 2019, representing a decrease of RM0.33 million or 23.91%. The lower gross profit was due to the management's strategy of reducing the selling price of "Let's Talk" mobile application in return for passing on the advertising efforts to the distributors.

For the FYE 30 June 2020, the Group recorded a higher LAT of RM26.01 million as compared to a LAT of RM4.57 million (annualised) for the 15-month FPE 30 June 2019, representing an increase of RM21.44 million or 469.15%. The higher LAT was mainly due to the increase in other operating expenses by RM15.87 million (annualised) which includes the following:-

- (a) impairment of goodwill arising from acquisition of 51% equity interest of Inbase Partners Limited amounting to RM7.44 million (15-month FPE 30 June 2019: nil) following an annual impairment testing which concluded that the recoverable amount of the Company's investment in Inbase Partners Limited is expected to be less than its carrying amount, due to Inbase Partners Limited not being able to meet expectations on its performance, and in view of the uncertain economic environment amidst the COVID-19 outbreak;
- (b) impairment of intangible assets amounting to RM5.42 million (15-month FPE 30 June 2019: nil) due to lower future economic benefits expected to be derived from the sales of "Let's Talk" mobile application amidst the slowdown in economic activities; and
- (c) impairment of trade and other receivables amounting to RM3.80 million (15-month FPE 30 June 2019: RM0.24 million (annualised)) due to the uncertainty of their recoverability as these receivables were more than 1 year overdue. As at the LPD, the Group does not have any outstanding receivable balance from any of the debtors to which these receivables relate to.

The higher LAT was also partly due to share-based expenses amounting to RM2.90 million (15-month FPE 30 June 2019: nil) arising from ESOS Options.

For the FYE 30 June 2020, the Group recorded a slight decrease in cash and cash equivalents of RM0.10 million (15-month FPE 30 June 2019: decrease of RM22.29 million) mainly due to the loss made during the year and a decrease in payables amounting to RM6.57 million, but offset by the proceeds from the issuance of shares amounting to RM9.01 million arising from:-

- (a) ESOS Options exercised amounting to RM4.39 million; and
- (b) proceeds amounting to RM4.62 million raised from a private placement exercise of 80,158,000 new Shares, which was completed on 29 April 2020.

(ii) 15-month FPE 30 June 2019 (annualised) vs FYE 31 March 2018

For the 15-month FPE 30 June 2019, the Group recorded revenue of RM6.23 million (annualised), an increase of RM4.13 million or 196.67% as compared to the previous financial year. This was mainly due to higher sales of mobile application software and sales of electrical and related products through its e-commerce portal as well as direct sales to merchants and consumers. The higher sales were mainly due to wider range of software products launched in year 2019 which include facial recognition solutions, navigation mobile application software and e-wallet solutions.

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

In line with the increase in revenue, the Group recorded a higher gross profit of RM1.38 million (annualised) (gross profit margin of 22.10%) for the 15-month FPE 30 June 2019 as compared to RM0.77 million (gross profit margin of 36.69%) for the previous financial year, representing an increase of RM0.61 million or 79.22%. However, it was partly offset by a higher contribution from overseas sales which generated lower gross profit margin as compared to local sales, which lowered the gross profit margin.

The Group recognised lower other operating expenses of RM1.07 million (annualised) for the 15-month FPE 30 June 2019 as compared to RM1.22 million for the FYE 31 March 2018, representing a decrease of RM0.15 million or 12.29%, mainly due to the loss on disposal of property, plant and equipment arising from donation of equipment to an educational institution during the FYE 31 March 2018 amounting to RM0.32 million (15-month FPE 30 June 2019: nil).

The Group recorded a higher LAT of RM4.57 million (annualised) for the 15-month FPE 30 June 2019 as compared to a LAT of RM4.04 million for the previous financial year, representing an increase of RM0.53 million or 13.12%. Despite the higher gross profit on an annualised basis, the higher LAT was mainly due to:-

- (a) higher depreciation expenses of RM0.39 million (annualised) for the 15-month FPE 30 June 2019 due to acquisitions of property, plant and equipment and investment properties during the financial period (FYE 31 March 2018: RM0.24 million), mainly relating to the acquisition of a service apartment in Kuala Lumpur as an investment property at a purchase consideration of RM7.00 million; and
- (b) higher marketing expenses of RM2.40 million (annualised) for the 15-month FPE 30 June 2019 as the Group conducted more marketing activities to promote its products and services (FYE 31 March 2018: nil).

However, the increase in the LAT was cushioned by an increase in other income of RM0.50 million or 56.82% to RM1.38 million (annualised) for the 15-month FPE 30 June 2019 (FYE 31 March 2018: RM0.88 million) which was mainly due to a higher income distribution received from short term fund of RM1.25 million (annualised) for the 15-month FPE 30 June 2019 (FYE 31 March 2018: RM0.84 million).

For the 15-month FPE 30 June 2019, the Group recorded a decrease in cash and cash equivalents of RM22.29 million (FYE 31 March 2018: increase of RM44.75 million) mainly due to the following:-

- (a) acquisition of a service apartment in Kuala Lumpur as an investment property at a purchase consideration of RM7.00 million;
- (b) development cost for the "Let's Talk" mobile application amounting to RM10.00 million;
- (c) acquisition of a 51% equity interest in Inbase Partners Limited amounting to RM12.74 million; and
- (d) higher proceeds arising from issuance of shares amounting to RM64.38 million previous financial year, being FYE 31 March 2018 due to:-
 - (aa) ESOS Options exercised amounting to RM7.36 million;
 - (bb) proceeds raised from Rights Issue September 2017 amounting to RM56.06 million, mainly to fund the Group's business expansion, as set out in Section 2.7 of this Abridged Prospectus; and
 - (cc) proceeds from the exercise of warrants 2017/2020 amounting to RM0.96 million.

APPENDIX I - INFORMATION ON THE COMPANY (CONT'D)**5. HISTORICAL SHARE PRICES**

The monthly highest and lowest market prices of the Shares as transacted for the past 12 months preceding the date of this Abridged Prospectus are as follows:-

	High RM	Low RM
<u>2019</u>		
November	0.075	0.040
December	0.065	0.040
<u>2020</u>		
January	0.045	0.030
February	0.035	0.020
March	0.030	0.010
April	0.025	0.015
May	0.040	0.020
June	0.040	0.025
July	0.065	0.030
August	0.080	0.050
September	0.055	0.025
October	0.065	0.015
Last transacted market price on 28 August 2020, being the last Market Day immediately prior to the first announcement of the Corporate Exercises (RM)	0.055	
Last transacted market price on 11 November 2020, being the Market Day immediately prior to the ex-date for the Rights Issue with Warrants (RM)	0.240 ⁽¹⁾	
Last transacted market price on the LPD (RM)	0.025	

Note:-

(1) Adjusted pursuant to the Share Consolidation that was completed on 5 November 2020.

(Source: Bloomberg)

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

6. OPTION TO SUBSCRIBE FOR SHARES

As at the LPD, save as disclosed below and the Provisional Allotments as well as Excess Rights Shares with Warrants C, no option to subscribe for the Shares has been granted or is entitled to be granted to any person:-

- (i) under the ESOS, the Company may grant ESOS Options 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 point of time during the duration of 5 years from the effective date of the ESOS i.e. 28 September 2017. The exercise price for such ESOS Options shall be determined by the Board at its discretion upon recommendation of the Option committee based on the 5-Market Day VWAP of MLABS Shares immediately prior to the date of offer with a discount of not more than 10%. As at the LPD, the Company has up to 37,129,708 ESOS Options (approximately 2.95% of the total number of issued Shares of the Company as at the LPD) which may be granted pursuant to the maximum allowable amount under the ESOS. In conjunction with the Corporate Exercises, the Company has undertaken not to grant any ESOS Options until completion of the Rights Issue with Warrants.

7. MATERIAL CONTRACTS

As at the LPD, the Board confirmed that 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.

8. MATERIAL LITIGATION

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

9. CONSENTS

- (i) The written consents of the Principal Adviser, Company Secretaries, Share Registrar, Auditors and Reporting Accountants, Independent Market Researcher and the Solicitors for the Rights Issue with Warrants 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 Bloomberg 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.

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of MLABS at 22-09, Menara 1MK, No.1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of 6 months from the date of this Abridged Prospectus:-

- (i) the Constitution of the Company;
- (ii) the Undertakings referred to in Section 3 of this Abridged Prospectus;
- (iii) the letters of consent referred to in Section 9 of Appendix I above;
- (iv) the Deed Poll C; and
- (v) the IMR Report referred to in Sections 7.2 and 7.3 of this Abridged Prospectus.

11. 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 contained therein 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.

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