

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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COMPUGATES®

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED PRIVATE PLACEMENT OF UP TO 916,728,447 NEW ORDINARY SHARES IN COMPUGATES HOLDINGS BERHAD ("CHB" OR THE "COMPANY"), REPRESENTING UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser and Placement Agent

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of CHB ("**EGM**"), which will be held and conducted on a fully virtual basis through live streaming and online remote voting using remote participation and voting facilities on an online meeting platform via TIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 23 December 2022 at 11.00 a.m. or at any adjournment thereof, and the Form of Proxy are enclosed herein.

A member entitled to attend, participate and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate and vote on his/ her/ its behalf. The completed and signed Form of Proxy should be deposited at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd in the following manner not less than forty eight (48) hours before the time for holding the EGM or at any adjournment thereof:

- (i) In hard copy:
 - (a) By hand or by post to the office of 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, Wilayah Persekutuan Kuala Lumpur, Malaysia or at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia; or
 - (b) By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com; or
- (ii) By electronic form:
 - (a) To submit Form of Proxy electronically via TIH Online at <https://tiih.online>.

The lodging of the Form of Proxy shall not preclude you from attending, participating and voting at the EGM should you subsequently wish to do so and in such event, your Form of Proxy shall be deemed to have been revoked.

Last date and time for lodging the Proxy Form : Wednesday, 21 December 2022 at 11.00 a.m.

Date and time of the EGM : Friday, 23 December 2022 at 11.00 a.m.

This Circular is dated 8 December 2022

DEFINITIONS

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

"Act"	:	The Companies Act 2016
"Board"	:	Board of Directors of CHB
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"CDMSB"	:	Compugates Development and Mining Sdn Bhd (Registration No. 200801031906 (833239-U))
"CHB" or the "Company"	:	Compugates Holdings Berhad (Registration No. 200401030779 (669287-H))
"CHB Group" or the "Group"	:	CHB and its subsidiaries, collectively
"CHB Share(s)" or the "Share(s)"	:	Ordinary share(s) in CHB
"Circular"	:	This circular dated 8 December 2022
"COVID-19"	:	Coronavirus disease 2019
"Director(s)"	:	The director(s) of CHB and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	:	Extraordinary General Meeting of CHB
"EPS"	:	Earnings per Share
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"GDV"	:	Gross development value
"ICT"	:	Information and communication technology
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	22 November 2022, being the latest practicable date prior to the printing and despatch of this Circular
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"NA"	:	Net asset
"PAT/ (LAT)"	:	Profit / (Loss) after taxation
"PBT/ (LBT)"	:	Profit / (Loss) before taxation
"Placement Share(s)"	:	Up to 916,728,447 new CHB Shares to be issued pursuant to the Proposed Private Placement

DEFINITIONS (CONT'D)

"Proposed Private Placement"	:	Proposed private placement of up to 916,728,447 new CHB Shares, representing approximately 20% of the existing total number of issued Shares as at the LPD
"Protégé"	:	Protégé Associates Sdn Bhd (Registration No. 200401037256 (675767-H))
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"UOBKH" or the "Adviser" or the "Placement Agent"	:	UOB Kay Hian Securities (M) Sdn. Bhd. (Registration No. 199001003423 (194990-K))
"VWAP"	:	Volume weighted average market price

All references to "**we**", "**us**", "**our**" or "**ourselves**" are made to CHB, and where the context requires, shall include our subsidiaries.

All references to "**you**" or "**your(s)**" in this Circular are made to our shareholders, who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Private Placement. You are advised to read this Circular in its entirety for further details of the Proposed Private Placement and not to rely solely on this Executive Summary in forming a decision on the Proposed Private Placement before voting at the EGM.

Key information	Description	Reference															
Summary	The Proposed Private Placement involves the issuance of new CHB Shares representing approximately 20% of the existing total number of issued Shares, at an issue price to be determined and announced later.	Section 2															
Utilisation of proceeds	<table> <tr> <th>Details of utilisation</th><th>Timeframe for utilisation</th><th>RM'000</th></tr> <tr> <td>Repayment to Lead Developers for construction costs of the Access Road</td><td>Within 12 months from the receipt of placement funds</td><td>1,600</td></tr> <tr> <td>Working capital requirements</td><td>Within 24 months from the receipt of placement funds</td><td>10,656</td></tr> <tr> <td>Estimated expenses for the Proposed Private Placement</td><td>Upon completion of the Proposed Private Placement</td><td>120</td></tr> <tr> <td>Total</td><td></td><td>12,376</td></tr> </table>	Details of utilisation	Timeframe for utilisation	RM'000	Repayment to Lead Developers for construction costs of the Access Road	Within 12 months from the receipt of placement funds	1,600	Working capital requirements	Within 24 months from the receipt of placement funds	10,656	Estimated expenses for the Proposed Private Placement	Upon completion of the Proposed Private Placement	120	Total		12,376	Section 2.6
Details of utilisation	Timeframe for utilisation	RM'000															
Repayment to Lead Developers for construction costs of the Access Road	Within 12 months from the receipt of placement funds	1,600															
Working capital requirements	Within 24 months from the receipt of placement funds	10,656															
Estimated expenses for the Proposed Private Placement	Upon completion of the Proposed Private Placement	120															
Total		12,376															
Rationale and justification	<ul style="list-style-type: none"> (i) enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings; (ii) the current low share price of the Company will increase the attractiveness of the Placement Shares for more placees to subscribe for the Placement Shares with the aim to raise the required funds of the Group; (iii) increases the size and strength of the Company's shareholders' funds; and (iv) enables the Company to raise funds in an expeditious manner, compared to pro-rated issuance such as a rights issue, which usually requires a longer timeframe for implementation, also without certainty that the Company will be able to meet its fundraising objectives as the level of funds raised will depend on the subscription rate by the entitled shareholders and/ or renouncee(s). 	Section 4															
Approvals required	<p>The Proposed Private Placement is subject to the following approvals:-</p> <ul style="list-style-type: none"> (i) the approval from Bursa Securities, of which has been obtained vide Bursa Securities' letter dated 22 November 2022; (ii) the approval of the shareholders of CHB at the EGM of the Company to be convened; and (iii) the approvals/ consents of any other relevant authorities and/ or parties, if required. 	Section 8															
Interested parties	None of the Directors, major shareholders, chief executive of CHB and/ or persons connected to them have any interest, whether direct or indirect, in the Proposed Private Placement.	Section 9															
Board's recommendation	The Board, having considered all aspects of the Proposed Private Placement, including the rationale and justifications and the effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.	Section 12															

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COMPUGATES HOLDINGS BERHAD
Registration No. 200401030779 (669287-H)
(Incorporated in Malaysia)

Registered Office

No. 2-1 Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Malaysia

8 December 2022

Board of Directors

Tan Sri Datuk Asmat Bin Kamaludin (*Independent Non-Executive Chairman*)
See Thoo Chan (*Executive Director*)
Goh Tai Wai (*Non-Independent Non-Executive Director*)
Mohamed Fauzi Bin Omar (*Independent Non-Executive Director*)

To: The shareholders of CHB

Dear Sir/ Madam,

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 6 October 2022, UOBKH had, on behalf of the Board, announced that the Company proposes to undertake a private placement of up to 916,728,447 Placement Shares, representing up to 20% of the total number of issued shares of CHB.

On 22 November 2022, UOBKH had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 22 November 2022, resolved to approve the listing and quotation of up to 916,728,447 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the terms and conditions as set out in **Section 8** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED PRIVATE PLACEMENT AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

The Proposed Private Placement entails the issuance of up to 20% of the total number of issued shares of CHB at an issue price to be determined and announced later.

As at the LPD, the total issued share capital of CHB was RM81,429,474 comprising 4,583,642,235 CHB Shares. Accordingly, a total of up to 916,728,447 Placement Shares, representing approximately 20% of the existing total number of CHB Shares, may be issued pursuant to the Proposed Private Placement. For information purposes, the Company does not have any treasury shares and/ or any outstanding convertible securities as at the LPD.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 8** of this Circular, where applicable.

2.2 Basis and justification of determining the issue price(s) of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 10% to the 5-day VWAP of CHB Shares up to and including the last trading day immediately preceding the price-fixing date, to be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement. The Board has not set any minimum issue price or minimum proceeds to be raised from the Proposed Private Placement.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price fixing dates and issue prices. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to CHB to procure interested investor(s) to subscribe for the Placement Shares expediently within the period as approved by Bursa Securities.

For illustrative purposes, the indicative issue price of the Placement Shares is assumed at RM0.0135 per Placement Share, which represents a discount of approximately 9.40% to the 5-day VWAP of CHB Shares up to and including the LPD of RM0.0149.

(Source: Bloomberg)

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the existing issued CHB Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation for the Placement Shares

Bursa Securities had, vide its letter dated 22 November 2022, approved the listing and quotation for the Placement Shares on the Main Market of Bursa Securities pursuant to the Proposed Private Placement.

2.5 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

Additionally, the Placement Shares will not be placed out to the following parties:-

- (i) the Directors, major shareholders or chief executive of CHB or a holding company of CHB, where applicable ("**Interested Person**");
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In the event the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

2.6 Utilisation of proceeds

Based on the indicative issue price of RM0.0135 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM12.38 million. The proceeds from the Proposed Private Placement are intended to be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation	RM'000
Repayment to Lead Developers for construction costs of the Access Road ^{*1}	Within 12 months from the receipt of placement funds	1,600
Working capital requirements ^{*2}	Within 24 months from the receipt of placement funds	10,656
Estimated expenses for the Proposed Private Placement ^{*3}	Upon completion of the Proposed Private Placement	120
Total		12,376

Notes:-

^{*1} CHB Group intends to earmark approximately RM1.60 million of the proceeds raised from the Proposed Private Placement to fund the repayment of construction costs of an access road in Cybersouth, Dengkil, Selangor ("**Access Road**"). The Group, through its 70% owned subsidiary CDMSB currently owns two areas of land in Cybersouth, Dengkil, Selangor measuring 62 acres and 35 acres respectively ("**Cybersouth Lands**"). Currently, the 62 acres of land is used for an ongoing development project between CDMSB and Jade Classic Sdn Bhd ("**JCSB**") ("**JVA Development**"), where CDMSB is the landowner of the 62 acres of land and JCSB is the developer to undertake the overall development, construction and completion in accordance with the approved plans of the JVA Development. Please refer to **Appendix I** of this Circular for the salient terms of the JVA Development. For information purposes, the following table illustrates a brief timeline of the key events of the JVA Development:-

Timing	Key events
17 July 2018	Shareholders approval obtained at an EGM held by CHB for the JVA Development
19 September 2018	Completed transfer of the 62 acres of land (now the JVA Development) from Kumpulan Darul Ehsan Berhad (previous landowner) to CDMSB
13 May 2019	Submission of the development order for the JVA Development to the Sepang Municipal Council
10 February 2020	Announcement on Bursa Securities that CDMSB and JCSB had received approval from the Sepang Municipal Council on 6 February 2020 for the JVA Development.
18 March 2020	Due to COVID-19, the Government of Malaysia implemented nationwide Movement Control Order restrictions. On 10 October 2021, the Government of Malaysia lifted Movement Control Order restrictions for vaccinated individuals.
12 April 2021	Commencement of earthworks for the JVA Development

As shown in the timeline above, due to COVID-19 and the Movement Control Order restrictions implemented by the Government of Malaysia, the timeline for the JVA Development was delayed and JCSB was only able to commence earthworks of phase 1 of the JVA Development in April 2021, which entails the development of 418 units of houses, 278 units of Rumah Selangorku, as well as other residential infrastructure. As at the LPD, earthworks for the JVA Development has been approximately 49.00% completed, and the Board estimates for phase 1 of the JVA Development to be completed by the second half of 2025. Phase 1 of the JVA Development is expected to provide a GDV of approximately RM230.00 million, of which CDMSB as the landowner is entitled to a 20.00% share of the GDV, being approximately RM46.00 million ("**Phase 1 GDV Entitlement**"). For information purposes, the Group has yet to commence any development on its 35 acres of land in the Cybersouth Lands.

The repayment for the construction costs of the Access Road is to be made to the lead developers of the Access Road namely Galeri Kencana Sdn Bhd, Saga Tugas Sdn Bhd, and Edisi Megah Sdn Bhd ("**Lead Developers**"). The Access Road measures approximately 370 metres in length and 100 feet in width, and is constructed in accordance with the Guidelines And Geometric Standards On Road Network System by the Jabatan Perancangan Bandar Dan Desa Semenanjung Malaysia. The Access Road connects the Cybersouth Lands to other areas in Cybersouth, Dengkil, and the Pintasan Dengkil highway (which further connects to Cyberjaya and the North-South Expressway Central Link that leads to the Kuala Lumpur International Airport). As at the LPD, construction of the Access Road has been completed and the repayment to the Lead Developers accrues an annual interest of 8.00%.

The repayment amount owed by CDMSB to the Lead Developers is RM1.60 million, being 50.00% of the total cost for construction of the Access Road. The repayment term for the Access Road will commence when CDMSB enters into the repayment contract with the Lead Developers, which the Board opines to be by the first half of 2023, pending the finalisation of certain terms of the repayment contract. Currently, the Lead Developers have allowed CDMSB full use of the Access Road and not restricted CDMSB's use of the Access Road. The Board will endeavour to commence repayment to the Lead Developers as soon as possible once the repayment contract has been signed subject to the receipt of approvals of the Proposed Private Placement as set out in **Section 8** of this Circular.

For information purposes, the Access Road connects directly to CDMSB's 35 acres of land but not directly to the JVA Development. The Access Road connects the main road in Cybersouth, Dengkil to the construction road of the JVA Development and therefore is the only access for construction vehicles to access the JVA Development. In order for JCSB, as the developer of the JVA Development, to continue construction works, CDMSB will need to ensure it has full use of the Access Road and make the repayment to the Lead Developers. Pursuant thereto, the Board opines that the repayment to the Lead Developers of the Access Road is essential in order to ensure that the Group has continued and uninterrupted access to the Cybersouth Lands. This is important as any restriction to the Group's use of the Access Road may potentially hinder the progress of the JVA Development and further may slow down any future projects that the Group intends to undertake on its 35 acres of land.

The Group intends to earmark approximately RM10.66 million of the proceeds raised from the Proposed Private Placement to fund its working capital requirements. Presently, the Group has 2 operating segments, namely the trading, services, & property development segment, and the agriculture segment.

Trading, services, & property development segment

Based on CHB's audited financial statements for the FYE 31 December 2021, the Group derives majority of its revenue from its trading, services & property development segment, comprising of 99.91% of the Group's total revenue while contributing 58.79% of its LAT. For the avoidance of doubt, the revenue contribution from the Group's trading, services & property development segment are wholly from its trading and services business and the Group did not receive any revenue contribution from property development related business for the FYE 31 December 2021. The only ongoing property development project that the Group has ongoing is the JVA Development, which is currently in the earthworks stage and expects to commence sales in the second half of 2023 once earthworks are completed. Upon successful sales of phase 1 of the JVA Development and the completion of foundation works, CDMSB is expected to receive a portion of its Phase 1 GDV Entitlement, estimated to be in the second half of 2023.

The business activities of the Group's trading and services segment involve the Group purchasing products from manufacturers and suppliers both locally and internationally (i.e United States of America and Japan), and then later distributing these products to dealers and end users locally and in overseas markets such as China and Hong Kong. The products that the Group trades in are mainly in the ICT sector which are printers, cameras, scanners, portable chargers, and ink and toner cartridges.

In the recent months, the Group's suppliers for its trading and services business have implemented a shorter credit payment term of 30 days for the purchase of supplies. This was due to COVID-19, where the Group's suppliers were unable to collect payments from its purchasers as many retailers of ICT products suffered foreclosure and bankruptcy as a result of restrictions placed on in-person services. In order to mitigate this risk, the Group's suppliers have transitioned towards payments with a revised credit term from 60 days to 30 days in order to ensure payments for supplies can be made. Furthermore, the Group's suppliers have been implementing a higher cash to credit payment scheme since 2021 where the credit limit available to the Group was significantly decreased. Pursuant thereto, the Group has had to rely on its cash liquidity to continue purchasing supplies to maintain its trading and services business. In order to address the Group's cash liquidity requirements, the Group has began providing discounts to its customers that purchase certain of the Group's products on cash payment terms beginning in the second half of 2022. Additionally, the Group has in 2022 began purchasing ICT products (i.e. printers, laptops, and ink and toner cartridges) from new suppliers, which will enable the Group to distribute a wider range of ICT product models in order to potentially improve the Group's ICT product offering and sales volume. For information purposes, these new suppliers also implement a similar credit term of 30 days and accordingly, the Group will need to have sufficient cash liquidity to undertake these purchases to facilitate the wider range of product offerings.

In view of the above, the Board opines that the funds allocated to the working capital requirements of the Group's trading and services business are essential in order to maintain the Group's cash liquidity to continue purchasing supplies for its trading and services business moving forward. Notwithstanding that there are unutilised funds from the Private Placement I that were allocated to the Group's trading and services segment (approximately 5.87% unutilised as at the LPD), the Board opines that in view of the shorter credit terms implemented by certain of its new suppliers, the Group will require additional funds allocated to its trading and services segment in order to ensure that the Group has sufficient cash liquidity to sustain the segment moving forward. In addition to the funds raised from the Proposed Private Placement, the Group intends to meet its funding requirements through internally generated funds.

Agriculture segment

The Group also operates an agriculture segment that currently consists of an agarwood plantation located on a 54 acre parcel of land in Kuala Kangsar, Perak, which houses approximately 20,312 agarwood trees as at the LPD. For information purposes, the abovementioned land is owned by Selama Muda Jaya Sdn Bhd, which was a company that the Group acquired 60% equity interest in on 29 June 2009, and subsequently acquired the remaining 40% equity interest on 22 December 2009 for a total purchase consideration of RM16.00 million. The Group later begun agarwood plantation activities on the said land in June 2010.

As illustrated later in **Section 3** of this Circular, the Group had allocated funds of RM0.92 million from a private placement exercise completed on 23 March 2022 to fund the working capital requirements of its agriculture business, including for the purchase of inoculants for its existing agarwood trees. For information purposes, the process of inoculation involves the injection of enzymes and other chemical liquids in to the agarwood trees to potentially stimulate its production capacity. The results of the inoculation are only observable after a minimum of 2 years, where the Group will harvest resin from the agarwood trees and observe its quality. Please refer to **Section 5.6** of this Circular for further information on agarwood. The Group commenced the first stage of its inoculation trials on 7 October 2021, which involves the inoculation of 20 agarwood trees funded via internally generated funds. As the process of inoculation is undertaken over a minimum period of 2 years to determine the efficacy of different types of inoculants, the Group expects to see the results of its first inoculation trials by the second half of 2023. In the meantime, the Group intends to purchase other types of inoculants to undertake further inoculation trials to determine whether these inoculants can produce more effective results.

Additionally, the Group also intends to enter in to agreements with various sellers of agarwood end products (e.g. fragrances, medicine, and essential oils, etc.) to inoculate agarwood trees for them. Presently, the Group is in early stages of negotiations with several agarwood end product sellers to provide inoculation services where the Group will inoculate its agarwood trees for a service fee and provide the products of the harvest to the agarwood end product sellers. Based on early negotiations, the Group estimates that such inoculation services will involve approximately 3,000 to 5,000 agarwood trees. Accordingly, the Group intends to raise approximately RM0.96 million from the Proposed Private Placement in addition to the unutilised RM0.51 million from the Private Placement I allocated to the purchase of inoculants as these additional funds will allow the Group to undertake the abovementioned agreements on a larger scale in the view that the Group will be providing inoculation services to agarwood end product sellers instead of inoculating its own agarwood trees and selling the harvested resin. The Board opines that securing such inoculation service agreements may enable the Group to secure a more steady revenue inflow and improve the revenue contribution from its agriculture segment. Upon finalisation of any of the potential agreements, the Group shall make the requisite announcements and/ or shall seek shareholders' approval in accordance with the Listing Requirements, where required.

Premised on the above, the actual utilisation of the funds allocated to the working capital requirements is subject to the Group's operational requirements at the time of utilisation, and as such can only be determined at a later stage. On a best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital requirements of the Group are as follows, subject to the operating and funding requirements of the Group at the time of utilisation:-

	Estimated allocation of proceeds (%)
Procurement of supplies for the Group's trading and services business (i.e. printers, cameras, scanners, portable chargers, and ink and toner cartridges)	38
Procurement of raw materials and supplies for the agarwood business (i.e. enzymes and inoculants)	9
Payment to the creditors of the Group	23
General administrative and daily operational expenses (i.e. staff related expenses such as salaries, wages, allowances, interest expenses, statutory payments, and other operating expenses such as utilities, upkeep of offices, maintenance of plants and machinery).	30
Total	100

Accordingly, the proceeds earmarked for the working capital requirements of the Group will enable the Group to retain an adequate cash level and flexibility in respect of financial allocations for its operational requirements and short-term obligations and liabilities, which in turn may enable the Group to carry out its day-to-day operations in a more efficient and timely manner rather than relying on internal and/ or external funding, which may otherwise place further constraints on the Group's gearing level and current ratio, which stand at approximately 0.01 and 4.25 times, respectively based on the Group's latest unaudited quarterly results for the 9-month FPE 30 September 2022. The Board also believes that by conserving cash flow and strengthening the Group's financial position, the Group may in turn redeploy available capital in a timely opportunity to maximise the return on its operating segments, in order to potentially improve the Group's overall financial performance moving forward.

^{*3} The estimated expenses include professional fees, regulatory fees and other incidental expenses in relation to the Proposed Private Placement. Variation in the actual expenses will be adjusted against the proceeds allocated for working capital requirements of the Group.

	RM'000
Professional fees (i.e. adviser and placement agent)	60
Regulatory fees	30
Other incidental expenses in relation to the Proposed Private Placement	30
Total	120

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any shortfall between the actual gross proceeds raised and the intended gross proceeds to be raised from the Proposed Private Placement will be funded via internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals (if necessary).

Any shortfall in the actual gross proceeds raised and the intended gross proceeds to be raised from the Proposed Private Placement will be adjusted accordingly to firstly fund the estimated expenses of the Proposed Private Placement, followed by the repayment to the Lead Developers of the Access Road, and the remaining proceeds will be allocated to fund the working capital requirements of the Group. In the event that there are any additional proceeds raised in excess of the illustrative proceeds, the additional proceeds will be allocated to the working capital requirements of the Group.

Pending utilisation of the proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional general working capital for the Group.

3. FUND RAISING EXERCISES IN THE PAST 12 MONTHS

CHB had, on 11 November 2021 announced the private placement of up to 20% of the total number of issued shares of CHB ("**Private Placement I**"). As at 23 March 2022, CHB completed the Private Placement I and had placed out 763,940,372 Shares at RM0.009 per Share, raising total gross proceeds of approximately RM6.88 million. The details of utilisation of proceeds from Private Placement I are set out below:-

Details of utilisation	Expected timeframe for utilisation from receipt of funds	Proposed utilisation based on actual proceeds raised RM'000	Proceeds utilised RM'000	Balance proceeds unutilised RM'000
Working capital requirements ^{*1}	Within 24 months	4,600	3,874	726
Purchase of an IWSS ^{*2}	Within 24 months	2,200	-	2,200
Expenses for the Private Placement I	Upon completion of the Private Placement I	75	67	8
Total		6,875	3,941	2,934

Notes:-

*1 CHB Group had earmarked approximately RM4.60 million of the actual proceeds raised from the Private Placement I to fund the working capital requirements of the trading & services and agriculture segments of the Group, the details are as follows:-

Trading and services segment

The Group earmarked approximately RM3.68 million to fund the working capital requirements of the Group's trading and services segment. The business activities of the trading and services segment involve the Group purchasing products from manufacturers and suppliers, and then later distributing these products to dealers and end users locally and in overseas markets such as China and Hong Kong. The products that the Group trades in are mainly in the ICT sector which are printers, cameras, scanners, portable chargers, and ink and toner cartridges. For information purposes, as at the LPD, the Group has utilised approximately RM3.46 million allocated from the Private Placement I for its trading and services business, details of which are shown in the table below:-

	Proposed Utilisation based on actual proceeds raised RM('000)	Proceeds utilised RM('000)	Balance proceeds unutilised (RM'000)
Payment to the suppliers of the Group's trading and services segment for printers, cameras, scanners, portable chargers, and ink and toner cartridges, etc.	3,680	3,464	216
Total	3,680	3,464	216

Agriculture segment

The Group earmarked approximately RM0.92 million to fund the working capital requirements of the Group's agarwood business which include the purchase of inoculants such as enzymes for agarwood trees, staff and equipment costs, and utilities and maintenance expenses for the Group's existing agarwood trees. The following represents the approximate allocation of the RM0.92 million earmarked for the working capital requirements of the agarwood business segment:-

	Proposed Utilisation based on actual proceeds raised RM('000)	Proceeds utilised RM('000)	Balance proceeds unutilised (RM'000)
Purchase of inoculants such as enzymes for agarwood trees	510	-	510
Staff and equipment costs related to plantation operations	155	155	-
Utilities and maintenance expenses	255	255	-
Total	920	410	510

*2 The Group had earmarked RM2.20 million from the proceeds raised from the Private Placement I to purchase an Integrated Water Supply System Scheme ("IWSS"), to supply water to the JVA Development. The IWSS is an integral component for the facilitation of the JVA Development as its primary function is to provide water supply to 418 units of houses, 278 units of Rumah Selangorku, as well as other residential infrastructure under phase 1 of the JVA Development. For information purposes, construction of the IWSS commenced on 12 October 2020 and as at the LPD, the IWSS has been 88.47% completed and is currently undergoing the construction completion stage and has commenced its testing and commissioning stage. The developers of the IWSS expect completion to be by the second half of 2023. As at the LPD, the Group has not utilised the RM2.20 million earmarked for the purchase of the IWSS as the development of the IWSS is still ongoing and the repayment to MCT Berhad, being one of the main developers of the IWSS, is only due upon the completion of the IWSS.

As at the LPD, the earthworks progress for the JVA Development has been approximately 49.00% completed and the Board estimates for phase 1 of the JVA Development to be completed by the second half of 2025. For information purposes, usage of the IWSS is intended to be shared amongst several development projects in the surrounding area of Cybersouth, Dengkil, Selangor. The allocation of RM2.20 million represents CDMSB's share of the IWSS usage and will be made in the form of a repayment to MCT Berhad, being one of the main developers for the infrastructure of the IWSS, for providing an advance payment on behalf of CDMSB for the IWSS. MCT Berhad had provided the advance payment on behalf of CDMSB as this would provide CDMSB with a more expedient way to obtain funds for its portion of the IWSS. The repayment of this advance payment made by MCT Berhad accrues an annual interest of 8.00% and payment can only be made upon completion of the IWSS based on the terms of the repayment contract signed between CDMSB and MCT Berhad. For information purposes, at the time of the Private Placement I, the IWSS was initially estimated to be completed by October 2022. However, this was delayed as the developers of the IWSS had to amend certain drawings of the IWSS at the request of the Air Selangor Development Department, resulting in completion of the IWSS being delayed to June 2023. Pursuant thereto, the Group has not utilised RM2.20 million intended for the repayment to MCT Berhad for the IWSS as this amount is only payable upon its completion.

The Group opines that the earmarked proceeds of RM2.20 million allocated to fund the purchase of the IWSS is essential as the integration of the IWSS is pertinent to enhancing the value of the JVA Development as well as securing the JVA Development's successful completion as it serves to provide clean water supply to the future occupants of the JVA Development. In addition, the IWSS may enhance the value of the land in the Cybersouth township for any future developments, including CDMSB's 35 acres of land on the Cybersouth Lands which has yet to be developed. Should the Board decide to proceed with development on this 35 acres of land, the future occupants shall also have access to the IWSS. In view of the above, the Group is of the opinion that the purchase of the IWSS is an integral part to securing future earnings potential for the Group as phase 1 of the JVA Development is expected to provide a GDV of approximately RM230.00 million, of which CDMSB is entitled to 20.00% upon completion.

Save for the Private Placement I, the Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising to address the Group's needs as set out in **Section 2.6** of this Circular as the Proposed Private Placement:-

- (i) enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings;
- (ii) notwithstanding the current low share price of the Company as shown in **Section 7** of this Circular, the Board opines that undertaking the Proposed Private Placement at the current low share price will increase the attractiveness of the Placement Shares for more placees to subscribe for the Placement Shares with the aim to raise the required funds of the Group;
- (iii) increases the size and strength of the Company's shareholders' funds; and
- (iv) enables the Company to raise funds in an expeditious manner, compared to pro-rated issuance such as a rights issue, which usually requires a longer timeframe for implementation, also without certainty that the Company will be able to meet its fundraising objectives as the level of funds raised will depend on the subscription rate by the entitled shareholders and/ or renouncee(s).

Furthermore, the Proposed Private Placement does not require the Company to arrange for any underwriting or to procure any undertaking from the Company's shareholders to guarantee a minimum amount of funds to be raised, which is usually required for a rights issue exercise. The Company may also face difficulty in securing underwriting arrangement(s) considering the Group's current financial position, being in a loss-making position in the past few financial years.

4.1 Current financial performance and financial position of CHB Group

The audited financial information of CHB Group for the past 3 financial years up to the FYE 31 December 2021 and the latest unaudited results for the 9-month FPE 30 September 2022, is set out below:-

	<-----Audited----->			<-Unaudited->
	FYE 31 December 2019 RM'000	FYE 31 December 2020 RM'000	FYE 31 December 2021 RM'000	9-month FPE 30 September 2022 RM'000
Revenue	4,590	4,371	8,983	4,595
Gross profit/ loss	509	133	512	(34)
PBT/ (LBT)	(8,898)	(7,191)	(7,382)	(3,897)
PAT/ (LAT)	(8,284)	(7,140)	(7,331)	(3,859)
Earnings/ (Loss) per Share	(0.33)	(0.28)	(0.21)	0.09
Cash and bank balances	487	476	457	485
Total borrowings	4,534	4,542	159	674
Gearing ratio (times)	0.03	0.03	-	-
Current assets	10,479	12,327	60,924	64,420
Non-current assets	159,176	158,986	110,362	110,236
Current liabilities	21,749	24,230	15,128	15,154
Non-current liabilities	16,686	16,853	14,950	15,276
Current ratio (times)	0.48	0.51	4.03	4.25
NA/ Shareholders' equity	101,698	100,700	112,042	115,187
Total equity	131,220	130,230	141,208	144,226
Number of CHB Shares in issue ('000)	2,475,496	2,828,572	3,819,702	4,583,642
NA per share (RM)	0.04	0.04	0.03	0.03

FYE 31 December 2019 ("FYE 2019")

For the FYE 2019, the Group recorded revenue of RM4.59 million representing a decrease of RM14.67 million or 76.17% from the revenue of RM19.26 million as recorded in FYE 2018. This was mainly attributable to the growth in the e-commerce industry which negatively impacted the Group's trading and services business, which at the time utilised more traditional retail sales channels. Through the growth in the e-commerce industry, online retailers were able to market their ICT products to a wider range of consumers than the Group, resulting in more consumers purchasing from online retailers instead of the Group. Despite the lower revenue, the Group registered a higher gross profit of RM0.51 million, representing an increase of RM0.27 million or 112.50% from the gross profit of RM0.24 million recorded in FYE 2018. Nevertheless, the Group incurred a higher LAT of RM8.28 million for FYE 2019, representing an increase of RM2.65 million or 47.07% from the LAT of RM5.63 million recorded for the FYE 2018. This was mainly due to the absence of a one-off gain on disposal of an investment property taken place in 2018 amounting to RM3.03 million. The one-off gain on disposal of an investment property was in relation to 2.44 acres of CDMSB's 35 acres of land on the Cybersouth Lands. CDMSB was informed that the aforesaid land was affecting an ongoing project by the Lembaga Lebuhraya Malaysia and therefore, in accordance with Section 8 of the Land Acquisition Act 1960, a portion of the aforesaid land (2.44 acres) was declared a land used for public purpose and had to be compulsorily acquired. In accordance with the compulsory land acquisition, CDMSB was provided a compensation sum of RM9.40 million plus RM0.75 million for incidental expenses in relation to the compulsory acquisition. Further information on the compulsory land acquisition is disclosed in **Section 4 of Appendix II** of this Circular.

FYE 31 December 2020 ("FYE 2020")

For the FYE 2020, the Group recorded revenue of RM4.37 million, representing a decrease of RM0.22 million or 4.79% from the revenue of RM4.59 million as recorded in the FYE 2019. This was mainly attributable to a market shortage of IT hardware products, which resulted in the hampering of any ability to fulfil the spike in demand for such products in view of the imposition of the MCO. In conjunction with this, the Group registered a lower gross profit of RM0.13 million which represents a decrease of RM0.38 million or 74.51% as compared to the gross profit of RM0.51 million registered in FYE 2019. Nevertheless, the Group recorded a lower LAT of RM7.14 million which represents an improvement of RM1.14 million or 13.77% from the LAT of RM8.28 million as recorded for the FYE 2019. This was mainly attributable to the cost saving in administrative expenses of approximately RM1.30 million and an increase in other income of approximately RM0.70 million arising from a further compensation from land acquisition. This was further offset with a reversal of provision of company tax of approximately RM0.60 million.

FYE 31 December 2021 ("FYE 2021")

For the FYE 2021, the Group recorded revenue of RM8.98 million, representing an increase of RM4.61 million or 105.49% from the revenue of RM4.37 million as recorded in the FYE 2020. This was mainly attributable to the higher demand for imaging products, IT hardware products and related consumable cartridges from resellers in view of the recovery of economic activities with the easing of containment measures. In conjunction with this, the Group registered a higher gross profit of RM0.51 million which represents a higher of RM0.38 million or 292.31% as compared to the gross profit of RM0.13 million registered in the FYE 2020. Nevertheless, the Group recorded a higher LAT of RM7.33 million which represents an increase of RM0.19 million or 2.67% from the LAT of RM7.14 million as recorded for the FYE 2020. This was mainly attributable to the increase in finance costs amounting to approximately RM1.01 million, decrease in other income amounting to RM0.91 million and an offset of a lower spending on administrative expense of approximately RM1.34 million.

The Group also recorded a balance in cash and bank balances of RM0.46 million which represents a decrease of RM0.02 million or 4.17% from the balance in cash and bank balances of RM0.48 million as recorded in the FYE 2020.

9-month FPE 30 September 2022

For the 9-month FPE 30 September 2022, the Group recorded revenue of RM4.59 million, which represents a decrease of RM2.20 million or 32.40% from the revenue of RM6.79 million as recorded for the 9-month FPE 30 September 2021. The Group also registered a gross loss of RM0.03 million for the 9-month FPE 30 September 2022, as compared to a gross profit of RM0.11 million for the 9-month FPE 30 September 2021. Furthermore, the Group recorded a LAT of RM3.86 million for the 9-month FPE 30 September 2022 which represents an improvement of RM2.09 million or 35.12% from the LAT of RM5.95 million recorded for the 9-month FPE 30 September 2021. This improvement in LAT is mainly attributable to cost saving in administrative expenses of approximately RM 1.08 million and finance cost of approximately of RM 1.26 million.

Furthermore, the Group recorded a balance in cash and bank balances of RM0.49 million, representing a decrease of RM0.17 million or 25.76% from the balance in cash and bank balances of RM0.66 million as recorded in the 9-month FPE 30 September 2021. Despite this, the Group believes that if the requisite funds of RM12.38 million are to be raised through bank borrowings, the Group would incur additional finance costs through interest payments. In view of the above, and the stringent financing requirements provided by financial institutions, the Board opines that the Proposed Private Placement is the best avenue at this juncture to allow the Group to meet its funding requirements.

4.2 Value creation and impact of the Proposed Private Placement to the Company and shareholders

The proceeds to be raised from the Proposed Private Placement are intended to be utilised in the following manner:-

- (i) RM1.60 million is intended to fund the repayment to the Lead Developers for construction costs of the Access Road. The Access Road enables the Group access to the Cybersouth Lands and the JVA Development, where phase 1 of the JVA Development is expected to create a GDV of RM230.00 million, of which CDMSB is entitled to 20.00% upon its completion; and
- (ii) up to RM10.66 million is intended to fund the Group's working capital requirements. While this may not directly expand the Group's business segments, such proceeds will enable the Group to retain an adequate cash level and flexibility in respect of financial allocations for its operational requirements and short term obligations and liabilities, which in turn may enable the Group to carry out its day-to-day operations in a more efficient and timely manner.

As illustrated in **Section 2.6** of this Circular, the repayment to the Lead Developers of the Access Road will ensure that the Group has continued and undisturbed access to the Cybersouth Lands. This is pertinent as the Company expects the JVA Development, which is ongoing on CDMSB's 62 acres on the Cybersouth Lands, to commence sales in the second half of 2023 once earthworks are completed. Phase 1 of the JVA Development is expected to create a GDV of RM230.00 million, of which CDMSB is entitled to a 20.00% share of the GDV upon completion. Furthermore, the Cybersouth Lands also contains a 35 acres of land also owned by CDMSB, of which the Group has not commenced any joint venture development projects on. Having unrestricted access to the Cybersouth Lands will therefore enable the Group to smoothly facilitate its ongoing and future property development projects and potentially improve the earnings potential of the Group.

In addition, the Proposed Private Placement may allow the Group to raise the necessary funds in tranches through private placement, as and when required, as a means to manage the aforesaid funding requirements of the Group's 2 operating segments (i.e. the trading, services & property development segment, and agriculture segment) as well as to ease the Group's cash flow concerns to improve the Group's business operations and cost structure. As set out in **Section 6.2** of this Circular, the Proposed Private Placement is expected to enlarge the issued share capital of the Group from approximately RM81.43 million to RM93.81 million and may increase the NA of the Group from approximately RM118.84 million to RM131.10 million. Further details on the effects of the Proposed Private Placement on the Group's issued share capital, substantial shareholdings structure, NA, gearing level, earnings, EPS, and the dilution to the existing CHB shareholders' shareholdings are disclosed in **Section 6** of this Circular.

Notwithstanding the above, although the Proposed Private Placement may potentially result in a dilution to the existing shareholders' shareholding, as a result of the issuance of new Shares to third party investor(s), the Proposed Private Placement serves as an expeditious means of raising funds from the capital market as opposed to other forms of fund raising such as rights issue on which there is no certainty that CHB is able to meet the fund raising objectives as the level of funds raised depends on the subscription rate by the entitled shareholders and/ or renouncee(s), unless underwriting arrangement is procured. Should underwriting be procured, the Group may incur additional costs in the form of underwriting fees. As such, the Board and management are of the opinion that the Proposed Private Placement represents a comparatively efficient avenue to raise the required quantum of funds over other larger scale equity fund raising exercises such as a rights issue at this juncture.

4.3 Adequacy of the Proposed Private Placement in addressing CHB Group's financial concerns

At this juncture, the Board is of the view that the primary financial concerns of the Group comprise the repayment to the Lead Developers for the Access Road as well as the working capital requirements of the Group as highlighted in **Section 2.6** of this Circular. Premised on **Section 4.1** above as well as the effects of the Proposed Private Placement as set out in **Section 6** of this Circular, the Board is of the view that the Proposed Private Placement is adequate to address the Group's financial requirements at this juncture, as well as for the long term.

The proceeds raised from the Private Placement I and the Proposed Private Placement have been allocated to fund the working capital requirements of the Group and towards growing the Group's property development business (i.e. the JVA Development and the 35 acres on the Cybersouth Lands). The Board opines that the funds raised from the Private Placement I and the Proposed Private Placement are essential to address the Group's financing requirements in the long term as the JVA Development is expected to commence sales and complete foundation works in the second half of 2023. Upon the successful sales of phase 1 of the JVA Development and the completion of foundation works, CDMSB is expected to receive a portion of its Phase 1 GDV Entitlement, estimated to be in the second half of 2023. For information purposes, phase 1 of the JVA Development is forecasted to have a GDV of approximately RM230.00 million, of which CDMSB is entitled to a 20.00% share of the GDV. Similarly, the repayment to the Lead Developers of the Access Road will also ensure the Group has continued access to its 35 acres on the Cybersouth Lands, which the Group may potentially use to commence further joint venture development projects in the future that may also contribute a share of GDV to the Group. Pursuant thereto, the Board believes that the Access Road is an integral factor to unlocking the value of the JVA Development and the Cybersouth Lands as it ensures unrestricted road access and ease of logistics to the Cybersouth Lands. With the Access Road, JCSB as the developers of the JVA Development can more smoothly facilitate and secure the completion of the JVA Development. In allocating the RM1.60 million to the repayment to the Lead Developers of the Access Road, the Group will be able to secure the funds to help facilitate the completion of the JVA Development and augment the Group in a better position for stronger earnings potential in the future.

Furthermore, the Board opines that the allocations to the Group's working capital requirements as illustrated in **Section 2.6** of this Circular are also essential for the long term as the funds raised will enable the Group to grow its operating segments by ensuring the Group has sufficient cash liquidity to sustain and grow its trading and services business, which has been the Group's main revenue contributor with 99.91% of the Group's total revenue for the FYE 31 December 2021. For information purposes, the Group's trading and services business revenue contribution increased by RM4.61 million for the FYE 31 December 2021, recording revenue of RM8.98 million (FYE 31 December 2020: RM4.37 million). The Board believes that the increase in revenue contribution is evidence that the trading and services business has recovered in the recent years and can potentially continue to strengthen the Group's earnings potential moving forward. In the meantime, the Group has began purchasing ICT products (i.e. printers, laptops, and ink and toner cartridges) from new suppliers, which will enable the Group to distribute a wider range of ICT product models in order to potentially improve the Group's ICT product offering and sales volume. The Board believes that the funds allocated to the working capital requirements of the Group's trading and services business is adequate in meeting the Group's need for cash liquidity to undertake the abovementioned purchases to enable the Group to provide a wider range of product offerings. Nevertheless, the management of the Company will continue to review and assess the Group's general working capital requirements from time to time to further strengthen its financial position.

In addition to the Group's trading and services business, the Group has also allocated funds to the working capital requirements of the Group's agriculture segment. As illustrated in **Section 2.6** of this Circular, the Group has commenced inoculation processes on some of its agarwood trees in order to determine if the production capacity of its agarwood plantation can be increased. Following this, the Group intends to utilise the funds raised from the Proposed Private Placement to purchase other types of inoculants to undertake further inoculation trials to determine whether these inoculants can produce more effective results. The Board believes that in the event these inoculation trials yield positive results, the Group may increase its quantity of inoculated agarwood trees. Additionally, the Group is also in early stages of negotiations with several agarwood end product sellers to provide inoculation services which may enable the Group to secure a more steady revenue inflow and improve the revenue contribution from its agriculture segment. In doing the above, the Board opines that the Group may be able to start realising a more significant revenue contribution from its agriculture segment which will then contribute positively to the future earnings potential of the Group. Nevertheless, the management of the Company will continue to review and assess the progress of the agarwood trees inoculation and the Group's general working capital requirements to improve its earnings potential moving forward.

The Board opines that the Proposed Private Placement is more adequate when compared to pro-rated issuances such as a rights issue exercise, given that the Proposed Private Placement can be implemented in a shorter period of time, in view that the Company intends to commence the repayment to the Lead Developers for the Access Road in the first half of 2023, and also intends to commence further agarwood inoculation trials in the first half of 2023. Furthermore, the Proposed Private Placement does not require the Company to arrange for any underwriting or to procure any undertaking from the Company's shareholders to guarantee a minimum amount of funds to be raised, which is usually required for a rights issue exercise. Hence, the Proposed Private Placement (with the successful identification of investor(s)/ placee(s)), provides more certainty that the Company will be able to meet its fund raising objectives.

Barring any unforeseen circumstances and premised on the above, the Board is of the view that the above steps may reposition the Group in a better financial footing moving forward and allow the Group to pursue further growth opportunities in the Group's existing businesses. In addition to the Proposed Private Placement, the Group has undertaken various cost cutting measures to address its financial concerns such as staff cost reductions which include temporary halting of pay increments, downsizing and streamlining of internal administrative and human resource operations, and providing discounts to the customers of its ICT business that purchase certain of the Group's products on cash payment terms. In the event the Proposed Private Placement does not materialise, the Group intends to meet its funding requirements through undertaking bank borrowings or advances from the directors/ shareholders of the Company. The Board will continue to monitor funding requirements (including a consideration of the Group's capital structure and cost of funds) and financial performance over the longer term and may consider undertaking future corporate exercises should the need/ opportunity arise.

(Source: Management of CHB)

5. INDUSTRY OVERVIEW AND OUTLOOK AND FUTURE PROSPECTS OF CHB GROUP

5.1 Overview and outlook for the Malaysian economy

Malaysia's economy expanded by 6.9% in the first half of 2022 underpinned by favourable momentum in the domestic economy and steady expansion in the external sector, as well as continued improvement of the labour market conditions. The strong performance is expected to sustain, backed by an increase in private consumption and business activities as the economy transitions to endemicity phase of COVID-19 with the surging tourist arrivals. Furthermore, the growth momentum was attributed to the Government's consistent policy support, particularly with the implementation of initiatives under the Budget 2022 since the start of the year, as well as the spillover effects from the Budget 2021 measures coupled with various assistance and stimulus packages.

In tandem with continued implementation of development programmes and projects, the economy is expected to expand further in the second half of the year. The growth prospects have been supported by the resumption of economic and social activities and improvement in international travel activities following the relaxation of COVID-19 restrictions regionally. With better prospects as indicated by the Leading Index, the economy is anticipated to gain its growth momentum in the second half of the year attributed to strong domestic demand as the country transitions into endemicity. For the full year of 2022, the economic growth is expected to register a higher growth within the range of 6.5% - 7% (2021: 3.1%). The domestic economy remains resilient and is forecast to expand between 4% - 5% in 2023 driven by the domestic demand. Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for cost of living and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

Malaysia's economy will remain in a positive growth trajectory in 2023 mainly driven by domestic demand following the transition to the endemic phase and the reopening of international borders. The Government continues to support the economy through implementing policies and measures to ensure a conducive business environment that facilitates economic activities and meet the needs of the rakyat. In enhancing economic resilience and sustainable growth, the Government will prioritise the structural reform agenda to sustain the post-COVID-19 economic recovery momentum, amid the challenges arising from geopolitical uncertainties and climate change.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia, 7 October 2022)

5.2 Overview and outlook of the property market in Malaysia

The property market performance recorded an increase in the first half of 2022 (H1 2022) compared to the same period last year (H1 2021). A total of 188,002 transactions worth RM84.40 billion were recorded, showing an increase of 34.5% in volume and 36.1% in value compared to the same period last year. Of the total transactions, 34.3% (64,479) and 62.6% (117,655) were transfers dated in 2021 and 2022 respectively while the remaining percentage share was for prior years' transfers.

The residential sub-sector led the overall property market, with 61.8% contribution. This was followed by agriculture sub-sector (22.1%), commercial (8.1%), development land and others (6.0%) and industrial (2.0%). In terms of value, residential took the lead with 54.1% share, followed by commercial (16.6%), industrial (12.7%), agriculture (10.2%) and development land and others (6.4%).

The property market performance recorded a rebound in the first half of 2022 (H1 2022), a reflection of normalising economic activity as the country moved towards endemicity. With the positive projection on economic growth by Bank Negara Malaysia, supported by the implementation of various government initiatives and assistance, the property market performance is expected to be on track. The property sector would also benefit from the improving labour market conditions and higher tourist arrivals as well as continued implementation of multi-year investments projects such as East Coast Rail Link.

(Source: Property Market Report First Half 2022, Valuation and Property Services Department, Ministry of Finance Malaysia)

The National Affordable Housing Council has targeted the construction of 500,000 affordable homes nationwide by 2025. To encourage first home ownership, previously, stamp duty for homes valued at RM500,000 and below were fully exempted until the end of 2025. With respect to property transfer documents and loan agreements for homes valued between RM500,001 and RM1 million, the stamp duty exemption will be increased from 50% to 75% and effective until 31 December 2023.

To build a harmonious community, the Government is committed to:-

- First : ensuring the safe condition of low and medium-cost strata homes through maintenance, including replacing obsolete lifts with an allocation of RM290 million;
- Second : improving mobile health services, including in low-cost housing areas, with an allocation of RM22 million;
- Third : providing classes for the children of low-cost home residents who fell behind in education during the COVID-19 pandemic; and
- Fourth : intensified income-enhancing activities by Yayasan Hasanah, including helping food entrepreneurs utilise Cloud Kitchen platforms.

(Source: Budget 2023, Ministry of Finance Malaysia, 7 October 2023)

5.3 Overview and outlook of the ICT industry in Malaysia

The information and communication subsector expanded by 6.1% in the first half of 2022, supported by telecommunication segment following a higher digital usage among businesses and individuals and increased subscription of services offered by telecommunication companies. The subsector is projected to increase by 3.3% in the second half of the year, supported by sustained high usage of the e-commerce services and increased subscriptions to media streaming such as sport packages in conjunction with the 2022 Commonwealth Games and 2022 FIFA World Cup campaign.

The information and communication subsector is expected to expand by 4.6%, mainly driven by the increasing digital adoption across all economic sectors. Phase 2 of the Jalinan Digital Negara (JENDELA) is expected to boost the digital connectivity through the utilisation of Fixed Wireless Access and other fit-for-purpose technologies, thus enabling the country to further address the digital divide. In this regard, Digital National Berhad aims to extend the fifth generation cellular network (5G) coverage to 80% of the nation's populated areas by 2024. In addition, high quality investment in digital-related infrastructures such as data centres and cloud computing services as well as continued surge in the e-commerce and online entertainment activities will further boost the subsector.

(Source: Economic Outlook 2023, Ministry of Finance)

The historical growth rate for the information and communication industry in Malaysia is as follows:

Services	2020	2021	2021			2022	
			Q2	Q3	Q4	Q1 ^r	Q2
• Information & Communication							
Revenue (RM billion)	146.1	153.3	37.7	37.9	40.1	40.2	40.2
(Growth YoY, %)	5.2	5.0	4.6	6.6	3.4	6.6	6.5

(Source: Pocket Stats Q2 2022, Department of Statistics Malaysia)

Under the National Economic Recovery Plan (PENJANA), several upskilling and reskilling programmes have been introduced to help employers, employees and training providers understand the latest skills set requirements, such as social intelligence and ethics, learning to learn as well as data analytics. Concurrently, other programmes, such as GoeCommerce, MyDigitalMaker and Global Online Workforce (GLOW) have benefited Malaysians by improving their participation in e-commerce and enabled them to make informed decisions.

Digital payment providers will enhance their services to specific demographics who are not technologically savvy or from the B40 group who rely on cash transactions. Apart from providing an automated, secure and auditable way of making transactions, improved digital payment mechanisms have accelerated remote and contactless transactions. They also provide the impetus for establishing digital banks. The new generation of banking will introduce new financial products delivery, streamlining banking products and services, and ensure more approachable financing to customers.

(Source: Ministry of Finance, Economic Outlook 2022)

5.4 Overview and outlook of the agriculture industry in Malaysia

The agriculture sector registered a contraction of 1.2% in the first half of 2022 attributed to lower output in most subsectors due to prolonged labour shortage. Nevertheless, the sector is projected to turn around by 1.3% in the second half of the year supported by improvement in crude palm oil (CPO) production following expectation of an increase in mature planted areas and improvement in labour market. In addition, a rise in output of the livestock and other agriculture subsectors is expected to provide further impetus to the sector's performance. However, growth of the rubber subsector is forecast to remain negative following anticipation of decreased tapping activity towards end of the year due to unfavourable weather conditions as well as low demand for natural rubber from China due to lockdowns in certain cities following zero-COVID 19 policy. For the year, the agriculture sector is estimated to turn around by 0.1%, supported by positive growth in the oil palm, livestock and fishing subsectors.

	Share (%)	Change (%)		
	2022 ²	2021	2022 ²	2023 ³
Oil palm	35.6	-5.6	1.5	3.2
Rubber	1.9	-8.4	-15.7	2.8
Livestock	16.8	3.2	0.7	2.7
Other agriculture ¹	29.0	5.8	-0.8	1.9
Fishing	11.7	-0.6	3.3	1.4
Forestry and logging	5.0	0.9	-5.3	-2.3
Agriculture	100.0	-0.2	0.1	2.3

Notes:

¹ Including paddy, fruits, vegetables, coconut, tobacco, tea, flowers, pepper, cocoa and pineapple.

² *Estimate.*

³ *Forecast.*

(Source: Department of Statistics and Ministry of Finance, Malaysia)

For 2023, the agriculture sector is forecast to increase by 2.3% attributed to an improvement in labour supply within the sector. The oil palm subsector is expected to expand on account of higher CPO output following increase in fresh fruit bunches production and better oil extraction rate. The establishment of Mechanisation and Automation Research Consortium of Oil Palm (MARCOP), a government–industry platform to promote further adoption of mechanisation and automation, is also expected to enhance efficiency, especially the harvesting process, thus increasing the productivity of the subsector. The CPO price is forecast to average at RM4,300 per tonne in 2023 compared with RM5,000 per tonne in 2022, higher than the last 10–year average of RM2,685 per tonne as supply of global edible oils and fats is anticipated to remain tight. The rubber subsector is projected to turn around in anticipation of an increase in rubber tapping activity in line with the sustained high price following stronger global demand from automotive industry, especially in China. Furthermore, the Government's initiative to promote the usage of RRIM Hydrobest technology among smallholders, is expected to increase the productivity of rubber subsector. The SMR20 rubber price is anticipated to average at RM6.50 per kilogramme (kg) in 2023 compared with RM7.00 per kg in 2022.

In addition, the other agriculture and livestock subsectors are anticipated to grow further, backed by higher demand, particularly from households and food-related businesses. Various efforts to increase domestic production are anticipated to support the segment, among others, developing idle lands through fertigation technique and intensifying adoption of smart farming using top-notch technologies.

(Source: Economic Outlook 2023, Ministry of Finance)

5.5 Overview and outlook of the global agarwood market

Agarwood, also known by its scientific name *Aquilaria malaccensis*, is resinous heartwood traditionally sourced from the wild in the Southeast Asian countries. Other names known to be used for agarwood includes gaharu, eaglewood and aloeswood. The fragrant resin can be used to produce incense, perfumes and traditional medicines. It is also used for religious and ornamental purposes. The major consumer markets for agarwood products include countries in the Middle East such as Iran and the United Arab Emirates and in Northeast Asia such as Japan, Taiwan, South Korea and China. Examples of raw agarwood products are wood blocks, wood chips and wood dusts while examples of processed agarwood products are essential oils, joss sticks and perfume products.

The price of agarwood varies according to its quality, which is often graded into different classes based on wood colour, weight or density, and its aroma upon burning. Higher quality agarwood is darker in colour with a higher resin content and higher density as well as a stronger aroma. Currently, there is no universal standard grading system in the global agarwood market. Agarwood is traded mainly in the form of wood chips, or distilled oil. Singapore has emerged as one of the major trading hubs for agarwood.

Globally, agarwood resources are depleting due to past indiscriminate harvesting activities to meet market demand. Agarwood has been listed by the International Union for Conservation of Nature as an endangered species, and the global trading of agarwood and its by-products requires a permit from the Convention on International Trade in Endangered Species of Wild Fauna and Flora ("**CITES**"). The harvesting of agarwood from the wild can be conducted legally in Malaysia but is subject to a quota system set and monitored by CITES. The annual export quotas (for agarwood wood chips, wood blocks and essential oils) set by CITES for Malaysia in 2021 were 150,000 kilogrammes ("**kg**") for Peninsular Malaysia and 5,000kg for Sarawak.

Malaysia has already started domestication efforts through mass cultivation of agarwood plantations to ensure the sustainability in the supply of agarwood in the long term. The Malaysian Timber Industry Board ("**MTIB**") is tasked with overseeing and monitoring agarwood plantations and to spur further development in the local agarwood plantation industry. In 2019, it was estimated that there were around 2,234 hectares of agarwood plantations in Malaysia with around 2.2 million planted trees. In 2020, Malaysia exported 8,388.2kg of agarwood chips as compared to 96,992.8kg in 2019 according to CITES Secretariat.

On the demand side, agarwood has a wide range of applications with many parts of the tree usable including the resin, leaves, trunks, roots and wood (in blocks). Agarwood is used in aromatherapy, fragrances as well as religious and cultural ceremonies. It is also believed to possess medical benefits. In traditional Chinese medicine, it is widely used to relieve pain, arrest vomiting and relieve asthma. The widespread applications with wide-ranging end-user markets mitigate the risk of over-reliance on a single end-user market, while also driving the global demand for agarwood. The increasing innovative application of agarwood in the form of essential oils used in personal care products and perfumes also continues to support the growth of the global agarwood market. Innovative and new applications of agarwood can also be found in food and beverages, such as tea, cookies, snacks and soup seasoning. As agarwood continues to be used in more ways and as a key ingredient in more products, the demand for agarwood is expected to contribute towards the growth of the global agarwood market.

On the supply side, continuous supports from the local government and research institutions are driving the implementation of agarwood plantations. In Malaysia, such efforts are led by the Malaysian Government and research institutions such as the Forest Research Institute Malaysia ("**FRIM**") and MTIB. FRIM and MTIB conduct courses and give guidance to planters on the methods of cultivation, conducting research and development on disease treatment, and finding the inoculation techniques to speed up the formation of resin. However, the increase in demand for agarwood has also led to its depletion due to illegal logging. Illegal logging occurs as wild agarwood is usually sold for a higher price due to superior quality as compared to cultivated agarwood. Governments in countries where agarwood are present have begun to take greater steps in preventing illegal loggers from harvesting agarwood. Although the depleting supply of natural agarwood is of concern, this factor is also anticipated to drive further scientific development in growing higher quality agarwood from plantation trees leading to better quality agarwood to minimise the depletion of the naturally occurring agarwood and contribute to a sustainable supply.

Moving forward, the growth momentum in the global agarwood market is expected to continue as a result of the widespread applications of agarwood in end-user markets. On the supply side, continuous support from the local government and research institutions will likely bolster the growth of global agarwood market through the implementation of agarwood plantations for future harvesting. However, the depleting supply of natural agarwood may hamper the growth of the market, and necessary steps must be taken to ensure its sustainability.

(Source: Independent Market Research Report by Protégé)

5.6 Future prospects of the Group

As mentioned in **Section 2.6** of this Circular, the gross proceeds raised from the Proposed Private Placement are intended to finance the Group's repayment to the Lead Developers of the Access Road, the working capital requirements of the Group, and the estimated expenses in relation to the Proposed Private Placement.

Presently, the Group has 2 operating segments, namely the trading, services, & property development segment, and the agriculture segment. Based on CHB's audited financial statements for the FYE 31 December 2021, the Group derives majority of its revenue from its trading, services & property development segment, comprising of 99.91% of the Group's total revenue. However, as illustrated in **Section 2.6** of this Circular, the revenue contribution from the Group's trading, services & property development segment are contributed wholly from its trading and services business which entails the trading of ICT products (i.e. printers, cameras, scanners, portable chargers, and ink and toner cartridges) and the Group did not receive any revenue from property development related business for the FYE 31 December 2021. This is because the only ongoing property development project that the Group has is the JVA Development, which is currently in the earthworks stage and expects to commence sales in the second half of 2023 once earthworks are completed. Upon successful sales of phase 1 of the JVA Development and the completion of foundation works, CDMSB is expected to receive a portion of its Phase 1 GDV Entitlement, estimated to be in the second half of 2023. For information purposes, phase 1 of the JVA Development is forecasted to have a GDV of approximately RM230.00 million, of which CDMSB is entitled to a 20.00% share of the GDV.

The Group's trading and services business is the main revenue contributor to the Group, contributing 99.91% of the Group's total revenue for the FYE 31 December 2021. However, in the recent months, the Group's suppliers have shortened credit payment terms for its supplies to 30 days, and have been implementing a higher cash to credit payment scheme, which has resulted in the Group needing to rely on its cash liquidity in order to continue purchasing supplies for its trading and services business. In order to address the Group's cash liquidity requirements, the Group has begun providing discounts to its customers that purchase certain of the Group's products on cash payment terms beginning in the second half of 2022. Furthermore, the Group has in 2022 began purchasing ICT products (i.e. printers, laptops, and ink and toner cartridges) from other suppliers in order to enable the Group to distribute a wider range of ICT product models in order to potentially improve the Group's ICT product offering and sales volume. Pursuant thereto, the Board opines that allocating funds to the working capital requirements of the Group's trading and services business is essential to sustain the Group's cash liquidity and to ensure that the Group can continue to maintain the strong revenue contribution from its trading and services business moving forward.

The Group also intends to allocate funds to the working capital requirements of its agriculture segment, which currently consists of an agarwood plantation consisting of approximately 20,312 agarwood trees. As illustrated in **Section 2.6** of this Circular, the Group commenced the first stage of its agarwood tree inoculation trials on 7 October 2021, which the Group expects to show results by the second half of 2023. For information purposes, the process of inoculation involves the injection of enzymes and other chemical liquids in the agarwood trees to potentially stimulate its production capacity. The results of the inoculation are only observable after a minimum of 2 years, where the Group will harvest resin from the agarwood trees and observe its quality. Following this, the Group will sell the harvested resin to purchasers who may then process the resin in to products such as essential oils, medicines, and fragrances, etc. Please refer to **Section 5.5** of this Circular for further information on agarwood. In view that the process of inoculation is undertaken over a minimum period of 2 years, the Group intends to purchase other types of inoculants to undertake further inoculation trials simultaneously to determine whether these inoculants can produce more effective results. In the event these inoculation trials yield positive results, the Board opines that increasing the Group's quantity of inoculated agarwood trees may improve the revenue contribution of the Group's agriculture segment and therefore contribute positively to the future earnings potential of the Group.

In addition to inoculating its own agarwood trees, the Group also intends to enter into agreements with various sellers of agarwood end products (e.g. fragrances, medicine, and essential oils, etc.) to inoculate agarwood trees for them. Presently, the Group is in early stages of negotiations with several agarwood end product sellers to provide inoculation services where the Group will inoculate its agarwood trees for a service fee and provide the results of the harvest to the agarwood end product sellers. In the event such agreements materialise, the Group will be able to recognise revenue contribution from its agriculture segment in the form of payment for its inoculation services, which will potentially provide the Group with a steadier revenue flow and an additional form of revenue aside from selling the harvested resin from agarwood trees. Upon finalisation of the potential agreements, the Group shall make the requisite announcements and/ or shall seek shareholders' approval in accordance with the Listing Requirements, where required. Barring any unforeseen circumstances, the Board opines that the Group can begin recognising revenue contribution from its agriculture segment by the second half of 2024 once the Group can harvest the inoculated agarwood trees and can commence sales of the resin extracted from the agarwood trees, and/ or enter into any potential agreements to provide inoculation services.

In addition to the above, the Group has allocated RM1.60 million of the funds raised from the Proposed Private Placement for the repayment to the Lead Developers for the construction costs of the Access Road. As mentioned above, the Group currently has 1 ongoing property development project, being the JVA Development. Phase 1 of the JVA Development involves the development of 418 units of houses, 278 units of Rumah Selangorku and other relevant residential infrastructure and upon completion of phase 1, the JVA Development is expected to provide an estimated GDV of approximately RM230.00 million, of which CDMSB is entitled to receive 20.00%. As the Access Road connects the main road in Cybersouth, Dengkil to the construction road of the JVA Development and CDMSB's 35 acres on the Cybersouth Lands, the Board opines that the repayment of RM1.60 million to the Lead Developers is essential as any logistic issues or restricted access to the use of the Access Road may hinder the progress of the JVA Development and further will slow down any projects the Group intends to undertake on its 35 acres of land.

Notwithstanding that the proceeds raised from the Private Placement I and the Proposed Private Placement are intended to fund the working capital requirements of the Group and the repayment to the Lead Developers of the Access Road, the Board is optimistic of the future prospects and sustainability of the Group's operating segments in view that the Group expects to receive a portion of its Phase 1 GDV Entitlement in the second half of 2023, subject to the successful sales of phase 1 and the commencement of main building construction works. Furthermore, as mentioned above, the Group currently has 20,312 agarwood trees and intends to purchase additional inoculants to commence further inoculation trials on its agarwood trees to determine if the production capacity of its resin can be improved, after which the Group can commence sales of the harvested resin. The Group is also in the early stages of negotiations with several agarwood end product sellers to provide inoculation services which may enable the Group to obtain an additional form of revenue for its agriculture segment. In light of this, the Board opines that its agriculture segment can potentially provide revenue contribution by the second half of 2024. In addition to the funds raised from the Proposed Private Placement, the Group also intends to meet its funding requirements through internally generated funds.

Premised on the above, and barring any unforeseen circumstances, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture to address the Group's financing needs. The Board will continue to review the performance and progress of the Group's operating segments and financial performance, and to introduce measures to further improve its financial position while minimising its operating costs, where required.

(Source: Management of CHB)

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:-

	No. of Shares	RM
Issued share capital as at the LPD	4,583,642,235	81,429,474
Placement Shares to be issued pursuant to the Proposed Private Placement	916,728,447	12,375,834 ^{*1}
Enlarged issued share capital	5,500,370,682	93,805,308

Note:-

^{*1} Computed based on the indicative issue price of RM0.0135 per Placement Share, which represents a discount of 9.40% to the 5-day VWAP of CHB Shares up to and including the LPD of RM0.0149.

6.2 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position of the Group as at 31 December 2021, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing of the Group are set out as follows:-

	Audited FYE 31 December 2021 RM'000	I Subsequent events up to the LPD RM'000	II After I and the Proposed Private Placement RM'000
Share capital	74,554	81,429 ^{*1}	93,805 ^{*2}
Revaluation reserves	30,998	30,998	30,998
Other reserves	(2,100)	(2,100)	(2,100)
Retained earnings	8,590	8,515 ^{*3}	8,395 ^{*4}
NA/ Shareholders' Equity	112,042	118,842	131,098
Non-controlling interest	29,166	29,166	29,166
Total Equity	141,208	148,008	160,264
Number of Shares in issue ('000)	3,819,702	4,583,642	5,500,370
NA per Share (RM)	0.03	0.03	0.02
Total borrowings (RM'000)	159	694	674
Gearing level (times)	~ ^{*5}	0.01	0.01

Notes:-

^{*1} After adjusting for the issuance of 763,940,372 new CHB Shares pursuant to the Private Placement I.

^{*2} Assuming 916,728,447 Placement Shares are issued at the indicative issue price of RM0.0135 per Placement Share.

^{*3} After deducting the estimated expenses of RM75,000 in relation to the Private Placement I.

^{*4} After deducting the estimated expenses of RM120,000 in relation to the Proposed Private Placement.

^{*5} Negligible.

6.3 Substantial shareholders' shareholdings

For information purpose, the Proposed Private Placement may have a dilutive effect on the Company's existing shareholders' shareholdings.

The Proposed Private Placement is expected to enlarge the share capital of the Company and increase its shareholders' funds. The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement ^{*1}			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}	No. of Shares	% ^{*3}	No. of Shares	% ^{*3}
Goh Kheng Peow	509,289,013	11.11	400,330,940 ^{*4}	8.73	509,289,013	9.26	400,330,940 ^{*4}	7.28
See Thoo Chan	400,330,940	8.73	509,289,013 ^{*5}	11.11	400,330,940	7.28	509,289,013 ^{*5}	9.26
Curate Holdings Sdn Bhd	1,006,487,872	21.96	-	-	1,006,487,872	18.30	-	-
Soo Yi Xin	200,000	- ^{*6}	1,006,487,872 ^{*7}	21.96	200,000	- ^{*6}	1,006,487,872 ^{*7}	18.30
Sierra Bonus Sdn Bhd	248,331,300	5.42	-	-	248,331,300	4.51	-	-

Notes:-

^{*1} Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).

^{*2} Based on the total issued Shares of 4,583,642,235.

^{*3} Based on the enlarged issued Shares of 5,500,370,682 after the Proposed Private Placement.

^{*4} Deemed interest by virtue of his spouse, See Thoo Chan's direct interest in CHB.

^{*5} Deemed interest by virtue of her spouse, Goh Kheng Peow's direct interest in CHB.

^{*6} Negligible.

^{*7} Deemed interest by virtue of her direct shareholding in Curate Holdings Sdn Bhd.

6.4 Impact on the existing shareholders' shareholding's dilution in CHB

The Proposed Private Placement will result in the dilution of the Company's existing shareholders' shareholding as the Proposed Private Placement will be placed to third-party investors.

The effect of the Proposed Private Placement on the Company's shareholding structure is illustrated as follows:-

	As at the LPD		After the Proposed Private Placement	
	No. of Shares	%	No. of Shares	%
Non-public shareholding	2,164,639,125	47.23	2,164,639,125	39.35
Public shareholding	2,419,003,110	52.77	2,419,003,110	43.98
New shareholders arising from the Proposed Private Placement	-	-	916,728,447	16.67
Total	4,583,642,235	100.00	5,500,370,682	100.00

As show above, the Company's public shareholders' shareholding will decrease from the existing 52.77% to 43.98% as a result of the Proposed Private Placement.

The Board takes cognisance of the potential equity dilution effect on the Company's public shareholders' shareholding in the Company as a result of the Proposed Private Placement. However, the gross proceeds from the Proposed Private Placement is intended to raise sufficient financial resources primarily to meet the funding requirements of the Group as set out in **Section 2.6** of this Circular.

6.5 Earnings and EPS

The Proposed Private Placement is not expected to have any material impact on the earnings of CHB Group for the FYE 31 December 2022. However, the EPS of CHB Group is expected to be diluted upon completion of the Proposed Private Placement as a result of the increase in the number of CHB Shares in issue arising from the Proposed Private Placement.

The Proposed Private Placement is expected to contribute positively to the future earnings of CHB Group when the benefits from the utilisation of proceeds to be raised from the Proposed Private Placement as set out in **Section 2.6** of this Circular are realised.

6.6 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of CHB Shares as traded on Bursa Securities for the past 12 months from December 2021 to November 2022 are set out below:-

	High RM	Low RM
2021		
December	0.020	0.010
2022		
January	0.020	0.010
February	0.020	0.010
March	0.015	0.010
April	0.015	0.010
May	0.015	0.010
June	0.015	0.010
July	0.015	0.010
August	0.015	0.010
September	0.015	0.010
October	0.015	0.010
November	0.020	0.010
Last transacted market price as at 5 October 2022 (being the latest trading day prior to the announcement of the Proposed Private Placement)		0.015
Last transacted market price as at the LPD		0.010

(Source: Bloomberg)

8. APPROVALS REQUIRED/ OBTAINED

The Proposed Private Placement is subject to the following approvals being obtained:-

- (i) Bursa Securities, for which the approval for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities was obtained vide its letter dated 22 November 2022, subject to the following conditions:-

Conditions	Status of compliance
(a) CHB and UOBKH must fully comply with the relevant provisions under the Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Private Placement;	To be complied
(b) UOBKH is required to inform Bursa Securities upon the completion of the Proposed Private Placement;	To be complied
(c) UOBKH is required to furnish Bursa Securities with the certified true copy of the resolution passed by the shareholders approving the Proposed Private Placement, prior to the listing of new shares to be issued pursuant to the Proposed Private Placement;	To be complied
(d) UOBKH is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed; and	To be complied
(e) UOBKH is required to incorporate Bursa Securities' comments made in the Circular for the Proposed Private Placement as provided in Bursa Securities' letter dated 22 November 2022.	Complied

- (ii) the approval of the shareholders of CHB at the EGM to be convened and the waiver of their pre-emptive rights under Section 85(1)^{*1} of the Act to be offered new CHB Shares to be issued pursuant to the Proposed Private Placement at the forthcoming EGM of the Company, which will result in a dilution of their shareholding percentage in the Company; and
- (iii) any other relevant authority, if required.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by CHB.

Note:-

^{*1} Section 85(1) of the Act provides that:-

Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders".

Clause 65 of the Constitution of the Company states that:-

"Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares or other convertible securities shall before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or other convertible securities to which they are entitled. The offer shall be made by notice specifying the number of shares or other convertible securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or other convertible securities offered, the Directors may dispose of those shares or other convertible securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares or other convertible securities which (by reason of the ratio which the new shares or other convertible securities bear to shares or other convertible securities held by persons entitled to an offer of new shares or other convertible securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."

By voting in favour of the ordinary resolution for the Proposed Private Placement, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85 of the Act and Clause 65 of the Constitution of the Company to be first offered the CHB Shares, which will result in a dilution of their shareholding percentage in the Company.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders, chief executive of CHB and/ or persons connected to them have any interest, whether direct or indirect, in the Proposed Private Placement.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed by the first quarter of 2023.

11. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Private Placement, the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the LPD.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Private Placement, including the rationale and justifications and the effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

Accordingly, the Board recommends that you **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Private Placement at the EGM.

13. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held and conducted on a fully virtual basis through live streaming and online remote voting using remote participation and voting facilities on an online meeting platform via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 23 December 2022 at 11.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Private Placement.

If you are unable to attend, participate and vote at the forthcoming EGM, you may complete and sign the enclosed Form of Proxy in accordance with the instructions contained therein, and deposit it at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd in the following manner not less than forty-eight (48) hours before the time for holding the EGM or any adjournment thereof:-

(i) In hard copy:

- (a) By hand or by post to the office of 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, Wilayah Persekutuan Kuala Lumpur, Malaysia or at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia; or
- (b) By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com; or

(ii) By electronic form:

- (a) To submit Form of Proxy electronically via TIIH Online at <https://tiih.online>; or

The lodgement of the Form of Proxy shall not preclude you from attending, participating and voting at the forthcoming EGM should you subsequently wish to do so and in such event, your Form of Proxy shall be deemed to have been revoked.

14. FURTHER INFORMATION

Shareholders are advised to refer to **Appendix II of this Circular** for further information.

Yours faithfully,
For and on behalf of the Board
COMPUGATES HOLDINGS BERHAD

TAN SRI DATUK ASMAT BIN KAMALUDIN
Independent Non-Executive Chairman

APPENDIX I – SALIENT TERMS OF THE JVA DEVELOPMENT

(Unless otherwise defined in this Appendix I, capitalised terms used herein without definition shall have the meaning assigned to them in this Circular.)

Pursuant to the joint venture agreement entered into between CDMSB and JCSB on 28 November 2017 ("**JVA**"), CDMSB as the landowner of the parcel of leasehold agriculture land measuring 25.09 hectares held under Title No. PN 98100 Lot No. 47954, Mukim of Dengkil, District of Sepang, Selangor ("**Land**"), is to provide the Land and that JCSB, shall be the developer for the JVA Development to undertake the overall development, construction and completion in accordance with the relevant approved plans. The following are the salient terms of the JVA:-

1. Joint Venture on the Land

- (i) The parties agree that CDMSB shall provide the Land and that JCSB, shall be the developer to undertake the overall development, construction and completion in accordance with the approved plans for the JVA Development.
- (ii) Upon the execution of the JVA, JCSB shall pay directly to CDMSB, a sum of RM100,000 only being the deposit and part of the CDMSB's entitlement ("**Deposit**").

2. Conditions Precedent

- (i) The JVA Development is subject to the following conditions precedent having been obtained or fulfilled in accordance with the JVA:-
 - (a) the written consent from the relevant state authority for the transfer of land by Kumpulan Darul Ehsan Berhad to CDMSB ("**Transfer**") must be obtained by CDMSB within 12 months from the date of the JVA;
 - (b) the Transfer with the title of the Land free from encumbrances and caveat must be presented and accepted for registration by the relevant;
 - (c) the written consent of the owners of the neighbouring lots must be obtained by CDMSB within 12 months from the date of the JVA;
 - (d) the approval of the relevant authority and/ or consent from the owner of the neighbouring lot for direct access to the Land must be obtained by CDMSB within 12 months from the date of the JVA or any further extension of time to be mutually agreed upon;
 - (e) the approval from the board of directors of CDMSB;
 - (f) the approval from the Board must be obtained by CDMSB for it to enter, execute and/ or proceed with the JVA;
 - (g) the approval from the shareholders of CHB, must be obtained by CDMSB within 12 months from the date of the JVA to undertake the JVA Development;
 - (h) the construction of the access road leading to the Land located on the neighbouring lot must have commenced and completed up to 50% of the road works stage;
 - (i) the approval for planning permission for the JVA Development (Development Order) must be obtained at the costs and expenses of JCSB within 2 years from the date of submission of the planning application, commencing 6 months from date of the approval of the relevant authority and/ or consent from MCT Berhad or its development company having been obtained in accordance with **Section 2(d) of Appendix I** as above; and
 - (j) approval for conversion of the Land within 2 years from the date of submission of planning application.

APPENDIX I – SALIENT TERMS OF THE JVA DEVELOPMENT (CONT'D)

- (ii) The respective conditions precedent shall be deemed to have been fulfilled upon the receipt of a letter from the relevant parties/ authorities granting the relevant consent/ approving the relevant application irrespective of any conditions imposed. For avoidance of doubt, JCSB shall be at liberty to appeal for variation of any conditions imposed. Notwithstanding such appeal, the condition precedent is deemed to have been obtained.
- (iii) In the event any of the condition precedent is not fulfilled or waived within the period prescribed, the JVA shall automatically terminate and, in which event CDMSB shall immediately refund the Deposit and the cash portion of the CDMSB's Entitlement (as defined below) paid, if any, free of interest, to JCSB. Upon refund, neither party shall have any further rights or claims against the other save for antecedent breaches.

3. CDMSB's and JCSB's respective entitlements

- (i) CDMSB is entitled to a sum equivalent to 20% of the guaranteed GDV of RM550.00 million ("**Guaranteed GDV**") or 20.00% of the actual GDV excluding the development of "Rumah Selangorku", whichever is the higher ("**CDMSB's Entitlement**") which shall comprise both in cash ("**Cash Portion**") and in kind ("**CDMSB's Units**");
- (ii) The balance or any residue after deducting CDMSB's Entitlement shall belong to JCSB ("**JCSB's Entitlement**");
- (iii) CDMSB's Entitlement shall be paid/ settled/ satisfied in the following manner:-

Cash Portion

- (a) Upon the execution of the JVA, the Developer shall pay directly to CDMSB, a sum of RM100,000 only being the deposit and part of CDMSB's Entitlement;
- (b) A further sum of RM5,000,000 shall be paid within 1 month from the last fulfilment of the conditions precedent stipulated in **Section 2 of Appendix I**;

CDMSB's Units

- (c) CDMSB shall be entitled to such number of units of building within the JVA Development in accordance with CDMSB's Entitlement but less the Cash Portion, the value of which is to be determined based on the nett sales launch price of the units selected subject to the following:-
 - (1) "nett sales launch price" shall mean the price after deducting all promotion packages (e.g. promotion packages shall include rebates, discounts, interest bearing schemes, free legal fees/ stamp duties, etc.);
 - (2) CDMSB shall not be entitled for any Rumah Selangorku products;
 - (3) the selection/ allocation of CDMSB's Units should be spread out proportionately over all types of building products and over all phases in the JVA Development based on the Guaranteed GDV for each phase and CDMSB is only entitled to select from each phase such number of units of buildings where the total value of the units so elected at the time of selection shall not exceed 20.00% of the GDV for that particular phase.

For removal of doubt:-

- (4) In respect of CDMSB's entitlement for Phase 1 of the JVA Development, the total value of the units entitled by CDMSB plus half of the Cash Portion already received by CDMSB at the time of the selection shall not exceed 20.00% of the GDV for Phase 1; and

APPENDIX I – SALIENT TERMS OF THE JVA DEVELOPMENT (CONT'D)

- (5) In respect of CDMSB's entitlement for Phase 2 of the JVA Development, the total value of the units entitled by CDMSB plus half of the Cash Portion already received by CDMSB at the time of the selection shall not exceed 20.00% of the GDV for Phase 2.
- (d) CDMSB shall select the CDMSB's Units before the units are launched for sale to the public for every phase on a proportionate basis and shall represent a fair and even distribution of locations, intermediate and corner type, designs, of the units. In the event the parties are unable to mutually agree upon CDMSB's Units, then the selection shall be by way of ballot;
- (e) The Bumiputera quota within the JVA Development shall be allocated proportionately between CDMSB and JCSB; and CDMSB shall be solely liable for any costs and expenses to be incurred in releasing the Bumiputera quota in respect of CDMSB's Units provided that JCSB shall assist CDMSB to sell the Bumiputera quota's units comprised in CDMSB's Units. All Bumiputera units sold by JCSB shall be deemed/ treated as sold and allocated between the parties in the proportion of JCSB's units – 80% : CDMSB's Units – 20% and **Section 3.1(f) of Appendix I** shall apply;
- (f) CDMSB is entitled to dispose any of its units at any time (including at launch or even prior to completion of the JVA Development) and JCSB shall assist in the sale without any administrative charges. All proceeds of sales derived from CDMSB's Units less the amount of GST for commercial units, if applicable, shall be paid over to CDMSB within 14 days upon receipt from the purchaser (for non-residential units) or the housing development account (for residential units), whichever applicable;
- (iv) Any balance of CDMSB's Entitlement shall be accounted for and fully settled (if by cash) and/ or delivered with the relevant certificate of completion and compliance duly obtained (if in kind) latest by the end of the 10th year from the last date of fulfilment of all the conditions precedent and all approvals referred to in **Section 4(i) of Appendix I** below are obtained ("**Due Date**") with an extension of 4 years from the Due Date if the JVA Development has been launched and construction of the units are in progress.

4. JCSB's covenant

JCSB agrees and covenants with CDMSB as follows:-

- (i) Submission and approval
 - (a) To submit at its own costs and expenses all necessary application for conversion (including surrender and realienation) of the Land for the development within 6 months from the fulfilment of all the conditions precedent as stipulated in **Section 2 of Appendix I** above other than **Section 2(i)(h) of Appendix I** above;
 - (b) Within 12 months, with an extension of 3 months from the conversion approval referred to in **Section 4(i) of Appendix I** above being obtained, JCSB shall at its own costs and expenses procure the Development Order for the Land from the relevant authority for the purpose of the JVA Development, the Development Order and/ or concept of which shall, as practicable as possible, be consistent with the Guaranteed GDV and which shall be agreed/ approved by CDMSB (which agreement approval cannot be unreasonably withheld); and
 - (c) Subject to the conversion and subdivision approval and the Development Order having been obtained and accepted by CDMSB, within 30 months from the date of the JVA, JCSB shall on its own costs and expenses obtain the relevant Advertising Permit and Developer's License and approval for building and other necessary plans from the relevant authority for the purpose of the JVA Development.

APPENDIX I – SALIENT TERMS OF THE JVA DEVELOPMENT (CONT'D)

- (ii) Commencement of works
- (d) Upon the approval of the building and other necessary plans for the construction of the buildings in the JVA Development and the Advertising Permit and JCSB's License (for residential units) being obtained, JCSB shall within 6 months from the date of the last approval being obtained commence construction of the buildings within the JVA Development.

5. Cost of construction

JCSB shall bear and pay:-

- (i) all costs, expenses and fees whatsoever in connection with the construction and completion of CDMSB's Units;
- (ii) all costs and expenses for the construction of all the relevant infrastructure in connection with the JVA Development including but not limited to entrance culverts, drains, bridges, service roads, back lanes, substation and septic tank and all infrastructure and supporting facilities in accordance with the requirements and standards of the relevant authority;
- (iii) all costs, expenses and fees for the application for conversion and subdivision (which include surrender and alienation) of the Land, Development Order, the Advertising Permit and JCSB's License, all relevant plans and the issuance of individual titles for the subdivided plots/parcels in accordance with the lay-out/ building plans; and
- (iv) all costs, expenses and fees to obtain and maintain such insurance policy(ies) as may be relevant or required in connection with the JVA Development.

6. Quit rent

All quit rent assessment, assessment and other outgoings due under the Land shall be borne and paid by JCSB as from the unconditional date of the JVA. Should the JVA be terminated or rescinded due to any reason whatsoever, CDMSB shall reimburse JCSB all payments made to account of the quit rent and assessment (if any). At the request of CDMSB, JCSB may advance payment of the outstanding quit rent and assessment and such sum advanced shall be set off against CDMSB's Entitlement.

7. Default by JCSB

JCSB shall default in respect of one or more of the following:-

- (i) fails to carry out the JVA Development in accordance with the JVA, or persistently neglects to carry out its obligations under the JVA;
- (ii) assigns the whole or part of the JVA without the written consent of CDMSB;
- (iii) goes into liquidation whether compulsory or voluntary (except for the purpose of reconstruction, amalgamation or other similar purpose not involving the realisation of assets) suffers its goods, assets or property to be taken in execution or become insolvent or compound with or make arrangements with its creditors or do any act jeopardising the position of JCSB in any way;
- (iv) fails to rectify its default in any term or condition on its part contained in the JVA within 30 days from the date of receipt of a written notification from CDMSB;
- (v) fails or defaults in the payment to CDMSB of any part of CDMSB's Entitlement payable on its due date whether formerly demanded or not;

APPENDIX I – SALIENT TERMS OF THE JVA DEVELOPMENT (CONT'D)

- (vi) a distress or execution or other process of a court of competent jurisdiction is levied upon or issued against any property of JCSB and is not satisfied or discharged within 14 days of such execution; and/or
- (vii) after commencement of the construction works, suspends works on site for a period of more than 2 months, or ceases or threatens to cease to carry out the JVA Development or fails to complete the JVA Development within the timeframe stipulated;

then CDMSB may serve on JCSB a notice by prepaid registered post specifying the default and if JCSB shall fail to remedy the default within 30 days from the delivery of receipt of such notice, CDMSB shall be entitled to enter upon and take possession of the Land and deal with the same as CDMSB in its absolute discretion shall deem fit and expedient, and CDMSB shall be entitled to terminate the JVA, and in such event the following consequences shall take effect:-

- (i) the sum of RM5,000,000 paid by JCSB pursuant to the JVA shall be forfeited by CDMSB;
- (ii) JCSB shall surrender possession of the Land back to CDMSB together with such fixtures, additions, works and material on site which may have been done by JCSB;
- (iii) CDMSB is not liable to reimburse any cost and expenses incurred by JCSB with respect to the Land;
- (iv) CDMSB shall revoke the Power of Attorney and JCSB must not refuse to assist and/ or to co-operate with CDMSB on the revocation of the Power of Attorney;
- (v) JCSB shall withdraw any caveat that they may have entered onto the title deed of the Land at their own costs and expenses; and
- (vi) JCSB shall, in order to permit CDMSB to complete the JVA Development, handover to CDMSB all records, plans approvals, accounts books, payment vouchers, receipts, tender documents, letters and whatsoever documents in the custody of JCSB relating to the JVA Development and shall have no claims whatsoever against CDMSB and/or the Land and/ or the JVA Development.

8. Creation of legal charge

CDMSB shall at the written request by JCSB, make available the document of title as collateral/ security for any loan or financial facilities to be obtained by JCSB from any financial institution for the purpose of raising the necessary funds to enable JCSB to pay development charges, conversion premium and earthwork of the Land.

9. Default by CDMSB

In the event of a breach or default on the part of CDMSB of any of its obligations, JCSB shall also be entitled to the relief of specific performance and all costs and expenses incurred shall be borne by CDMSB.

10. Salient terms of the Power of Attorney

CDMSB irrevocably appoints JCSB or any of JCSB's employees, managers, officers or agents (from time to time duly appointed or authorised in writing by JCSB for the purposes of the JVA Development) to be its true and lawful attorney (with full power to appoint and remove substitutes and to sub-delegate) on behalf of CDMSB to do and perform, amongst others, the following acts and deeds in respect of the Land:-

- (i) to transact, commence, manage, carry out and complete the joint venture to develop the Land in to a residential or commercial or mixed development and to do all and every business, matters and things requisite and necessary for or in any manner connected with or having reference to the Land or part thereof, for the purposes of carrying out and completing the JVA Development,
- (ii) to have and to grant unlimited and unencumbered access to the Land;
- (iii) to make and sign the application to the appropriate authority or other competent authority for all and any licences, permissions and consents required by any act of Parliament, order, statutory instrument, regulation, by-law or otherwise in connection with the management, improvement and development of the Land or part thereof including the recovery or compensation where such is recoverable with power to give receipts and full discharges;
- (iv) to liaise with town planners, surveyors, architects, engineers, contractors, advertising agency, legal advisers and other consultants or specialists ("**Consultants and Contractors**") and engage their appointment at JCSB's own costs and expenses, upon terms and conditions as JCSB deem fit and appropriate;
- (v) to make all necessary payments, consultancy fees, levies, premiums and all other incidental costs and expenses to the Consultants and Contractors as and when the same is payable out of JCSB's own account at such appropriate time that JCSB deem expedient;
- (vi) to pay any statutory outgoings and expenses, levies and taxes whatsoever incurred or imposed by the appropriate authority arising from the Land;
- (vii) to deal with the appropriate authority in connection with any application or submission made, including attendance at meetings, responding to any queries that may arise and agreeing to any variation required or conditions imposed by the appropriate authority in relation to such application or submission;
- (viii) to sell, market, promote and advertise for sale to any person any part of or any sub-divided lots of the Land or units of buildings whether residential or commercial, comprised in the JVA Development to be carried out on the Land;
- (ix) to assign, sell, lease, let or otherwise dispose to any person all or any part of or any sub-divided lots of the Land or units of buildings whether residential or commercial comprised in the JVA Development whether separate issue document of title has or has not been issued and for that purpose, to sign and execute all transfers, all relevant sale and purchase agreements ("**Sale Agreements**"), letters of confirmation, undertakings and other instruments necessary to purchasers, lessees, tenants, financiers and all relevant parties deemed necessary by JCSB;
- (x) to collect and receive all payments, proceeds, instalments, fees and levies, interests and all other payments payable under the Sale Agreements from purchasers, lessees, tenants, relevant parties and to issue valid acknowledgment and receipts;

APPENDIX I – SALIENT TERMS OF THE JVA DEVELOPMENT (CONT'D)

- (xi) to sign or otherwise execute the document or instrument of transfer, assignment, conveyance, novation and other documents of whatsoever nature for the purpose of dealing, transferring, assigning, novating, parting and/ or vesting the legal title or interest and beneficial ownership of the Land or part thereof or units of buildings whether residential or commercial, comprised in the JVA Development to be carried out on the Land or part thereof, in favour of any of the person that JCSB shall deem fit and to liaise with the appropriate authority for or in connection with the matters set out above;
- (xii) to have custody and retain all the original sub-divided titles or individual title issued in respect of the Land and JCSB shall be entitled to deal with the same in any manner that it deems fit; and
- (xiii) generally exercise all rights, power and privileges and to do all such other acts, things and deeds as may be necessary or expedient which may now or hereafter be required in relation to any of the matters set out above.

CDMSB and JCSB agree that the Power of Attorney shall not confer on JCSB any power, authority or right to represent or to act as CDMSB's attorney in executing the charge or lien of the Land or any part of it.

The Power of Attorney shall be deemed to have been revoked in the event the JVA is legally terminated for whatsoever reason.

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT

UOBKH, being the Adviser and the Placement Agent for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Protégé, being the Independent Market Researcher for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH and Protégé have given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or likely to exist in relation to their respective roles as the Adviser and Independent Market Researcher for the Proposed Private Placement.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, CHB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group.

CDMSB had on 18 August 2015 entered into a joint venture agreement ("**MUSB JVA**") with Main Uptown Sdn Bhd ("**MUSB**"), as the developer, for the joint development of a parcel of leasehold land owned by CDMSB identified as H.S. (D) 13828, PT 26800, Mukim of Dengkil, District of Sepang, Selangor Darul Ehsan, measuring approximately 154,990 square metres ("**MUSB JV Land**") into a mixed development. On 13 December 2017, CDMSB received a letter from Lembaga Lebuhraya Malaysia informing that based on the land acquisition plan received from MEX II Sdn Bhd, the MUSB JV Land is affected by the construction of Lebuhraya MEX2. Subsequently, on 15 October 2018, CDMSB received a compensation offer of RM9,397,400.00 ("**Compensation Sum**") for the compulsory acquisition of 0.9892 hectares of the land which was part of the MUSB JV Land and a further sum of RM750,014.25 for incidental costs payable to CDMSB, which CDMSB accepted with objection. The Compensation Sum was paid to the Shah Alam High Court by the land administrator as there was a caveat lodged on the MUSB JV Land by MUSB pursuant to the MUSB JVA.

On 26 March 2019, CDMSB filed an originating summons against MUSB at the Shah Alam High Court for a declaration that CDMSB was entitled to the full Compensation Sum and for the entire Compensation Sum to be released to CDMSB. In the meantime, CDMSB had on 8 May 2019 served a notice on MUSB to formally terminate the MUSB JVA as MUSB had failed to comply with the terms of the MUSB JVA but MUSB was insisting that though it failed to comply with the conditions precedent, the MUSB JVA was still on-going. CDMSB's originating summons against MUSB in the Shah Alam High Court had been converted to a writ by order of the Court and a writ of claims had been filed on 31 October 2019.

APPENDIX II – FURTHER INFORMATION (CONT'D)

The full trial for the matter had been completed on 13 January 2022 and the Shah Alam High Court had ruled in favor of CDMSB and declared that CDMSB was entitled to the whole Compensation Sum of RM9,397,400.00 in respect of the land acquisition of 0.9892 hectares of land and that the MUSB JVA is terminated, not valid and binding. The sum of RM3,000,000.00 from the deposit paid by MUSB is forfeited as liquidated damages and the balance sum of RM2,000,000.00 paid under the MUSB JVA is to be refunded before or on 21 February 2022 and 5% interest per annum will be imposed from 22 February 2022 if there is a failure to refund. The private caveat is to be removed/ cancelled immediately and the counter claim is dismissed with cost of RM30,000.00 to be paid by MUSB to CDMSB.

On 28 January 2022, MUSB had filed an appeal to the Court of Appeal against part of the decision made by High Court of Malaya at Shah Alam dated 13 January 2022 ("**Court Order**"). On 31 January 2022, MUSB also filed a stay of execution of the Court Order dated 13 January 2022 until the disposal of their appeal against this decision.

In respect of the application of stay of Court Order dated 13 January 2022.

Subsequently on 10 June 2022, the High Court of Malaya at Shah Alam had ordered that the whole compensation sum of RM9,397,400.00 to be deposited into an interest bearing account in MBB under the High Court of Shah Alam until the disposal of MUSB appeal (No-B-02(NCvC)-(W)-209-02/2022). No order for stay of Order dated 13 January 2022 was granted by the High Court.

In respect of the full Appeal at the Court of Appeal (No-B-02(NCvC)-(W)-209-02/2022) and Ad Interim Motion for stay of execution of the Court Order dated 13 January 2022 filed by MUSB to the Court of Appeal

The Court of Appeal has fixed the hearing of the full appeal on 2 October 2023.

MUSB too filed for an ad interim stay to the Court of Appeal pending the disposal of the full appeal at the Court of Appeal. The hearing for the ad interim stay was dismissed with costs of RM5,000.00 at the Court of Appeal.

In respect of Originating Summons (No. BA-24(NCvC)-777-05/2022) filed by CDMSB for whole compensation to be paid out to CDMSB as per Court Order dated 13 January 2022 or alternatively the whole compensation be deposited in an interest bearing account

Further, relying on Court Order dated 13 January 2022, CDMSB vide Originating Summons (No. BA-24(NCvC)-777-05/2022) filed an action against MUSB and Pentadbir Tanah Daerah Sepang for among others that the whole compensation sum of RM9,397,400.00 to be paid to CDMSB pursuant to High Court Order dated 13 January 2022 or alternatively, that the whole compensation be deposited into an interest bearing account in MBB pending appeal.

The matter was heard on 12 October 2022 wherein it was ordered that the whole compensation sum of RM9,397,400.00 to be deposited into an interest bearing account in MBB under the High Court of Shah Alam until the disposal of MUSB appeal (No-B-02(NCvC)-(W)-209-02/2022).

Originating Summons BA-24NCVC-1150-07/2022 at the Shah Alam High Court

MUSB filed a second private caveat vide Submission No. 18351/2022 registered on 20 April 2022 on the land pending the disposal of their appeal to the Court of Appeal. CDMSB filed this originating summons for removal of the caveat and the matter was heard on 19 October 2022 wherein it was ordered that the 2nd private caveat to be removed and that the registrar is authorised to cancel the entry of the 2nd private caveat with cost of RM5,000.00 to be paid by MUSB to CDMSB. The caveat has since been removed on 7 November 2022.

APPENDIX II – FURTHER INFORMATION (CONT'D)

MUSB filed an application for stay of the execution of the order dated 19 October 2022 and the matter is fixed for hearing on 2 December 2022. On 15 November 2022, the High Court ordered an ad interim injunction until 2 December 2022 preventing CDMSB from disposing or entering any encumbrances on the land until 2 December 2022 with costs in the cause.

The order dated 15 November 2022 in respect of the ad interim injunction has been extended to 14 December 2022. The stay application in respect of order dated 19 October 2022 is also fixed for decision on 14 December 2022.

5. MATERIAL COMMITMENTS

As at the LPD, there are no material commitments incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results or position of the Group.

6. CONTINGENT LIABILITIES

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

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of CHB at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- (i) Constitution of CHB;
- (ii) audited consolidated financial statements of CHB Group for the past 2 financial years up to the FYE 31 December 2021 and the latest unaudited quarterly report of CHB Group for the 9-month FPE 30 September 2022;
- (iii) the Independent Market Research Report prepared by Protégé;
- (iv) the letter of consent and declaration of conflict of interests referred to in **Sections 2 and 3 of Appendix II** above, respectively; and
- (v) the relevant cause papers in respect of the material litigation as referred to in **Section 4 of Appendix II** above.

COMPUGATES®

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Compugates Holdings Berhad ("CHB" or the "Company") ("EGM" or "Meeting") will be held and conducted on a fully virtual basis through live streaming and online remote voting using remote participation and voting facilities on an online meeting platform via TIH Online website at <https://tiah.online> provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 23 December 2022 at 11.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following ordinary resolution:-

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 916,728,447 NEW ORDINARY SHARES IN CHB, REPRESENTING APPROXIMATELY 20% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF CHB ("PROPOSED PRIVATE PLACEMENT")

"THAT subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of CHB ("Board") to allot and issue up to 916,728,447 new ordinary shares in CHB ("CHB Share(s)") ("Placement Share(s)"), representing approximately 20% of the existing total number of issued shares of CHB by way of private placement to independent third party investor(s) to be identified later upon such terms and conditions as disclosed in the circular to the shareholders of the Company dated 8 December 2022 ("Circular");

THAT approval be and is hereby given to the Board to determine the issue price for each tranche of the Placement Shares at a later date based on not more than 10% discount to the 5-day volume weighted average market price of the CHB Shares immediately preceding the price-fixing date;

THAT the Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing CHB Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares;

THAT the proceeds of the Proposed Private Placement be utilised for the purpose as set out in the Circular, and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board deems fit, necessary and/ or expedient or in the best interest of the Company, subject (where required) to the approval of the relevant authorities;

THAT pursuant to Section 85 of the Companies Act 2016 and read together with Clause 65 of the Constitution of CHB, approval be given to waive the pre-emptive rights of the shareholders of CHB to be offered new CHB Shares ranking equally to the existing issued CHB Shares arising from any issuance of new CHB Shares pursuant to the Proposed Private Placement;

AND THAT the Board be and is hereby empowered and authorised to sign, execute, deliver and cause to be delivered on behalf of the Company all such documents and/ or arrangements as may be necessary, and to do all acts, deeds and things as may be required to give effect to and to complete the Proposed Private Placement with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to and to complete the Proposed Private Placement."

BY ORDER OF THE BOARD

CHEN WEE SAM (LS0009709)
(SSM PC NO. 202008002853)
HEW CHEE HAU (MIA 21967)
(SSM PC NO. 201908001291)

Company Secretaries
Kuala Lumpur
8 December 2022

Notes:-

1. All members, proxy(ies), corporate representative(s) and attorney(s) shall attend the EGM online via TIH Online website at <https://tiih.online>. The online meeting platform at <https://tiih.online> is recognised as the main venue of the Meeting in Malaysia under Section 327(2) of the Companies Act 2016.
2. A member of the Company entitled to attend and vote is entitled to appoint another person as his/her/its proxy(ies) to exercise all or any of his/her/its rights to attend, participate (including to pose questions to the Board of the Company) and vote in his/her/its stead.

A member or his/her/its proxy(ies)/corporate representative(s)/attorney(s) must register himself/herself via the TIH Online website at <https://tiih.online> to attend, participate and vote remotely via the remote participation and voting facilities. Please follow the procedures and timeframe as set out in the Administrative Guide of the EGM which is available from Company's announcement on Bursa Malaysia Berhad's website at www.bursamalaysia.com or Company's website at <http://www.compugates.com/wp-content/uploads/Notice-of-Extraordinary-General-Meeting-2022-2.pdf>

3. A member of the Company may appoint not more than two (2) proxies to attend the Meeting, provided that the member specifies the proportion of his/her/its shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.
4. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
5. Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The appointment of a proxy may be made in hard copy form or by electronic form in the following manner and the Form of Proxy submitted must be received by the Company not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof at which the person named in the Form of Proxy proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

(i) In hard copy:-

- (a) By hand or by post to the office of 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, Wilayah Persekutuan Kuala Lumpur, Malaysia or at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia; or
- (b) By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com; or

(ii) By electronic form:-

- (a) To submit Form of Proxy electronically via TIH Online at <https://tiih.online>

7. *The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his/her attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.*
8. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 December 2022, shall be eligible to attend, participate and vote at the Meeting or appoint proxy(ies)/corporate representative(s)/attorney(s) to attend, participate and vote on his/her/its behalf.*
9. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice will be put to vote by way of poll.*

Explanatory Note to Ordinary Resolution:

Section 85(1) of the Companies Act 2016 provides that:

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders".

Clause 65 of the Constitution of the Company states that:

"Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares or other convertible securities shall before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or other convertible securities to which they are entitled. The offer shall be made by notice specifying the number of shares or other convertible securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or other convertible securities offered, the Directors may dispose of those shares or other convertible securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares or other convertible securities which (by reason of the ratio which the new shares or other convertible securities bear to shares or other convertible securities held by persons entitled to an offer of new shares or other convertible securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."

By voting in favour of the proposed Ordinary Resolution, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85 of the Companies Act 2016 and Clause 65 of the Constitution of the Company to be first offered the CHB Shares, which will result in a dilution of their shareholding percentage in the Company.

Personal data privacy:-

By submitting form(s) of proxy appointing proxy(ies) or corporate representative(s) or attorney(s) to attend, participate (including to pose questions to the Board of the Company) and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies or representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) or corporate representative(s) or attorney(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) or corporate representative(s) or attorney(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) or corporate representative(s) or attorney(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

COMPUGATES®

COMPUGATES HOLDINGS BERHAD
Registration No. 200401030779 (669287-H)
(Incorporated in Malaysia)

FORM OF PROXY

(To be completed in block letters)

No. of Shares Held	CDS Account No.

*I/We
(Full name in Block Letters)

NRIC/Passport/Company No. of
(Full Address)

(Contact No./Email:.....) being a *member/members of Compugates Holdings Berhad (Registration No. 200401030779 (669287-H)), hereby appoint:

Full Name of Proxy (in Block Letters)	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Contact No.	Email Address		

Full Name of Proxy (in Block Letters)	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Contact No.	Email Address		

or failing him/her, THE CHAIRMAN OF THE MEETING as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be held and conducted on a fully virtual basis through live streaming and online remote voting using remote participation and voting facilities on an online meeting platform via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 23 December 2022 at 11.00 a.m and at any adjournment thereof.

ORDINARY RESOLUTION		For	Against
1.	Proposed Private Placement		

Please indicate with an "X" in the space above on how you wish to cast your vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

*Delete if not applicable.

Dated thisday of.....2022

Signature(s) of member(s)



Notes:-

1. All members, proxy(ies), corporate representative(s) and attorney(s) shall attend the EGM online via TIIH Online website at <https://tiih.online>. The online meeting platform at <https://tiih.online> is recognised as the main venue of the Meeting in Malaysia under Section 327(2) of the Companies Act 2016.

2. A member of the Company entitled to attend and vote is entitled to appoint another person as his/her/its proxy(ies) to exercise all or any of his/her/its rights to attend, participate (including to pose questions to the Board of Directors of the Company) and vote in his/her/its stead.

A member or his/her/its proxy(ies)/corporate representative(s)/attorney(s) must register himself/herself via the TIIH Online website at <https://tiih.online> to attend, participate and vote remotely via the remote participation and voting facilities. Please follow the procedures and timeframe as set out in the Administrative Guide of the EGM which is available from Company's announcement on Bursa Malaysia Berhad's website at www.bursamalaysia.com or Company's website at <http://www.compuqates.com/wp-content/uploads/Notice-of-Extraordinary-General-Meeting-2022-2.pdf>

3. A member of the Company may appoint not more than two (2) proxies to attend the Meeting, provided that the member specifies the proportion of his/her/its shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.
4. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
5. Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The appointment of a proxy may be made in hard copy form or by electronic form in the following manner and the Form of Proxy submitted must be received by the Company not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof at which the person named in the Form of Proxy proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

(i) In hard copy:-

- (a) By hand or by post to the office of 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, Wilayah Persekutuan Kuala Lumpur, Malaysia or at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia; or

- (b) By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com; or

(ii) By electronic form:-

- (a) To submit Form of Proxy electronically via TIIH Online at <https://tiih.online>

7. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his/her attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 December 2022, shall be eligible to attend, participate and vote at the Meeting or appoint proxy(ies)/corporate representative(s)/attorney(s) to attend, participate and vote on his/her/its behalf.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice will be put to vote by way of poll.

Personal data privacy:-

By submitting form(s) of proxy appointing proxy(ies) or corporate representative(s) or attorney(s) to attend, participate (including to pose questions to the Board of Directors of the Company) and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies or representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) or corporate representative(s) or attorney(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) or corporate representative(s) or attorney(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) or corporate representative(s) or attorney(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

**THE SHARE REGISTRAR OF
COMPUGATES HOLDINGS BERHAD
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD**
Registration No. 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Malaysia

1st fold here



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Compugates Holdings Berhad (“CHB” or the “Company”) (“EGM” or “Meeting”) will be held and conducted on a fully virtual basis through live streaming and online remote voting using remote participation and voting facilities on an online meeting platform via TIH Online website at <https://tiah.online> provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Friday, 23 December 2022 at 11.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following ordinary resolution:-

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 916,728,447 NEW ORDINARY SHARES IN CHB, REPRESENTING APPROXIMATELY 20% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF CHB (“PROPOSED PRIVATE PLACEMENT”)

“THAT subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of CHB (“Board”) to allot and issue up to 916,728,447 new ordinary shares in CHB (“CHB Share(s)”) (“Placement Share(s)”), representing approximately 20% of the existing total number of issued shares of CHB by way of private placement to independent third party investor(s) to be identified later upon such terms and conditions as disclosed in the circular to the shareholders of the Company dated 8 December 2022 (“Circular”);

THAT approval be and is hereby given to the Board to determine the issue price for each tranche of the Placement Shares at a later date based on not more than 10% discount to the 5-day volume weighted average market price of the CHB Shares immediately preceding the price-fixing date;

THAT the Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing CHB Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares;

THAT the proceeds of the Proposed Private Placement be utilised for the purpose as set out in the Circular, and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board deems fit, necessary and/ or expedient or in the best interest of the Company, subject (where required) to the approval of the relevant authorities;

THAT pursuant to Section 85 of the Companies Act 2016 and read together with Clause 65 of the Constitution of CHB, approval be given to waive the pre-emptive rights of the shareholders of CHB to be offered new CHB Shares ranking equally to the existing issued CHB Shares arising from any issuance of new CHB Shares pursuant to the Proposed Private Placement;

AND THAT the Board be and is hereby empowered and authorised to sign, execute, deliver and cause to be delivered on behalf of the Company all such documents and/ or arrangements as may be necessary, and to do all acts, deeds and things as may be required to give effect to and to complete the Proposed Private Placement with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to and to complete the Proposed Private Placement.”

BY ORDER OF THE BOARD

CHEN WEE SAM (LS0009709)
(SSM PC NO. 202008002853)
HEW CHEE HAU (MIA 21967)
(SSM PC NO. 201908001291)

Company Secretaries
Kuala Lumpur
8 December 2022

Notes:

- All members, proxy(ies), corporate representative(s) and attorney(s) shall attend the EGM online via TIH Online website at <https://tiah.online>. The online meeting platform at <https://tiah.online> is recognised as the main venue of the Meeting in Malaysia under Section 327(2) of the Companies Act 2016.
- A member of the Company entitled to attend and vote is entitled to appoint another person as his/her/its proxy(ies) to exercise all or any of his/ her/its rights to attend, participate (including to pose questions to the Board of the Company) and vote in his/her/its stead.
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- A member of the Company may appoint not more than two (2) proxies to attend the Meeting, provided that the member specifies the proportion of his/her/its shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.
- A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
- Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“**omnibus account**”), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
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 - By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com; or
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- The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his/her attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 December 2022, shall be eligible to attend, participate and vote at the Meeting or appoint proxy(ies)/corporate representative(s)/attorney(s) to attend, participate and vote on his/her/ its behalf.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice will be put to vote by way of poll.

Explanatory Note to Ordinary Resolution:

Section 85(1) of the Companies Act 2016 provides that:

“Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders”.

Clause 65 of the Constitution of the Company states that:

“Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares or other convertible securities shall before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or other convertible securities to which they are entitled. The offer shall be made by notice specifying the number of shares or other convertible securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or other convertible securities offered, the Directors may dispose of those shares or other convertible securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares or other convertible securities which (by reason of the ratio which the new shares or other convertible securities bear to shares or other convertible securities held by persons entitled to an offer of new shares or other convertible securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.”

By voting in favour of the proposed Ordinary Resolution, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85 of the Companies Act 2016 and Clause 65 of the Constitution of the Company to be first offered the CHB Shares, which will result in a dilution of their shareholding percentage in the Company.

Personal data privacy:-

By submitting form(s) of proxy appointing proxy(ies) or corporate representative(s) or attorney(s) to attend, participate (including to pose questions to the Board of the Company) and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies or representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) or corporate representative(s) or attorney(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) or corporate representative(s) or attorney(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) or corporate representative(s) or attorney(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

Administrative Guide for the Extraordinary General Meeting (“EGM” or “Meeting”)

Day, Date and Time : Friday, 23 December 2022 at 11.00 a.m.

Venue : Online Meeting Platform via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) in Malaysia

REMOTE PARTICIPATION AND VOTING (“RPV”) FACILITIES

- The RPV facilities are available on Tricor’s TIIH Online website at <https://tiih.online>.
- A member or his/her/its proxy(ies)/corporate representative(s)/attorney(s) is/are to attend, participate (including to pose questions in the form of real time submission of typed texts) and vote remotely at the EGM using RPV facilities.
- Kindly refer to procedures and requirements for RPV as set out below.

PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES

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

Before the EGM Day

Procedure	Action
i. Register as a user with TIIH Online	<ul style="list-style-type: none">• Using your computer, access to website at https://tiih.online. Register as a user under the “e-Services” select “Create Account by Individual Holder”. Please refer to the tutorial guide posted on the homepage for assistance.• Registration as a user will be approved within one (1) working day and you will be notified via e-mail.• If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend EGM remotely	<ul style="list-style-type: none">• Registration is open from Thursday, 8 December 2022 at 11.00 a.m. until the day of EGM on Friday, 23 December 2022. Member(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the EGM to ascertain their eligibility to participate at the EGM using the RPV facilities.• Login with your user ID (i.e. e-mail address) and password and select the corporate event: (Registration) COMPUGATES HOLDINGS BERHAD 2022 EGM.• Read and agree to the Terms & Conditions and confirm the Declaration.• Select “Register for Remote Participation and Voting”.• Review your registration and proceed to register.• System will send an e-mail to notify that your registration for remote participation is received and will be verified.• After verification of your registration against the Record of Depositors as at 16 December 2022, the system will send you an e-mail after 21 December 2022 to approve or reject your registration for remote participation. <p><i>(Note: Please allow sufficient time for approval of new user of TIIH Online and-registration for the RPV).</i></p>

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)

Administrative Guide for the Extraordinary General Meeting (“EGM” or “Meeting”) (Cont’d)**On the EGM Day**

Procedure	Action
i. Login to TIH Online	<ul style="list-style-type: none">• Login with your user ID and password for remote participation at the EGM at any time from 10.00 a.m. i.e. 1 hour before the commencement of Meeting at 11.00 a.m. on Friday, 23 December 2022.
ii. Participate through Live Streaming	<ul style="list-style-type: none">• Select the corporate event: (Live Stream Meeting) COMPUGATES HOLDINGS BERHAD 2022 EGM to engage in the proceedings of the EGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the EGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the Meeting.
iii. Online remote voting	<ul style="list-style-type: none">• Voting session commences from 11.00 a.m. on Friday, 23 December 2022 until a time when the Chairman announces the end of the session.• Select the corporate event: (Remote Voting) COMPUGATES HOLDINGS BERHAD 2022 EGM or if you are on the live stream meeting page, you can select “GO TO REMOTE VOTING PAGE” button below the Query Box.• Read and agree to the Terms & Conditions and confirm the Declaration.• Select the CDS account that represents your shareholdings.• Indicate your votes for the resolutions that are tabled for voting.• Confirm and submit your votes.
iv. End of remote participation	<ul style="list-style-type: none">• Upon the announcement by the Chairman on the conclusion of the EGM, the Live Streaming will end.

Note to users of the RPV facilities:

- (i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream Meeting and to vote remotely. Your login to TIH Online on the day of Meeting will indicate your presence at the virtual Meeting.
- (ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- (iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the Meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

Entitlement to Participate and Appointment of Proxy

- With reference to the Notice of EGM dated 8 December 2022, only members whose names appear on the Record of Depositors on 16 December 2022 shall be eligible to attend, participate and vote at the EGM or appoint proxy(ies)/corporate representative(s)/attorney(s) to attend, participate and vote on his/her/its behalf.
- Any member who has yet to appoint any proxy(ies) and wishes to appoint proxy(ies) is advised to deposit the Form of Proxy which was circulated together with the Notice of EGM dated 8 December 2022.
- The appointment of a proxy may be made in hard copy form or by electronic form in the following manner and the Form of Proxy and/or documents relating to the appointment of proxy(ies)/corporate representative(ies)/attorney(s) for the EGM must be received by the Company **not later than Wednesday, 21 December 2022 at 11.00 a.m.:**

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)

Administrative Guide for the Extraordinary General Meeting (“EGM” or “Meeting”) (Cont’d)

(i) In hard copy:

- a) By hand or post to the office of 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, Wilayah Persekutuan Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia; or
- b) By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com; or

(ii) By electronic form:

- a) All members can have the option to submit Form of Proxy electronically via TIIH Online at <https://tiih.online> and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none">Using your computer, please access the website at https://tiih.online. Register as a user under the “e-Services”. Please refer to the tutorial guide posted on the homepage for assistance.If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of Form of Proxy	<ul style="list-style-type: none">After the release of the Notice of EGM dated 8 December 2022 by the Company, login with your username (i.e. email address) and password.Select the corporate event: COMPUGATES HOLDINGS BERHAD 2022 EGM - “Submission of Proxy Form”.Read and agree to the Terms and Conditions and confirm the Declaration.Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf.Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide on your votes.Review and confirm your proxy(ies) appointment.Print the Form of Proxy for your record.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none">Access TIIH Online at https://tiih.onlineUnder e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects “Create Account by Representative of Corporate Holder”.Complete the registration form and upload the required documents.Registration will be verified, and you will be notified by email within one (1) to two (2) working days.Proceed to activate your account with the temporary password given in the email and re-set your own password. <p>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p>
Proceed with submission of Form of Proxy	<ul style="list-style-type: none">Login to TIIH Online at https://tiih.online<ul style="list-style-type: none">Select the corporate exercise name: COMPUGATES HOLDINGS BERHAD 2022 EGM - “Submission of Proxy Form”.Agree to the Terms & Conditions and Declaration.Proceed to download the file format for “Submission of Form of Proxy” in accordance with the Guidance Note set therein.Prepare the file for the appointment of proxy(ies) by inserting the required data.Proceed to upload the duly completed proxy(ies) appointment file.Select “Submit” to complete your submission.Print the confirmation report of your submission for your record.

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Administrative Guide for the Extraordinary General Meeting (“EGM” or “Meeting”) (Cont’d)

Revocation of Proxy

- Any member who has submitted the Form of Proxy but subsequently wishes to revoke his/her/its proxy(ies) must contact Tricor at +603-2783 9263 or +603-2783 7973 or e-mail to is.enquiry@my.tricorglobal.com **before 11.00 a.m. on 21 December 2022**.
- In order to ensure the whole registration process of EGM is smooth, the member who wishes to attend, participate and vote at the EGM himself/herself is advised not to submit any Form of Proxy.

POLL VOTING

- The voting at the EGM will be conducted by poll in accordance with paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).
- Members or proxies/corporate representatives/attorneys can proceed to vote on the resolutions at any time from **11.00 a.m. on Friday, 23 December 2022** until the end of the voting session which will be announced by the Chairman of the Meeting. Kindly refer to “Procedures to Remote Participation and Voting via RPV Facilities” provided above for guidance on how to vote remotely via TIIH Online.
- Upon completion of the voting session for the EGM, the Independent Scrutineer will verify the poll results followed by the Chairman’s declaration whether the resolutions are duly passed.

PRE-MEETING SUBMISSION OF QUESTIONS

- The Board recognises that the EGM is a valuable opportunity for the Board to engage with members. In order to enhance the efficiency of the proceedings of the EGM, members may in advance, before the EGM, submit questions to the Board via Tricor’s TIIH Online website at <https://tiih.online>, by selecting “e-Services” to login, pose your questions and submit it electronically **no later than 11.00 a.m. on Wednesday, 21 December 2022**. The Board will endeavor to address the questions received at the EGM.

NO DOOR GIFTS/FOOD VOUCHERS

- There will be no distribution of door gifts or food vouchers for the EGM as the Meeting will be conducted on a fully virtual basis.
- The Company would like to thank all its members for their kind co-operation and understanding in these challenging times.

ENQUIRIES

- If you need any assistance, kindly contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line : +603-2783 9299

Fax Number : +603-2783 9222

Email : is.enquiry@my.tricorglobal.com

Contact persons :

Mohammad Amirul Iskandar : +603-2783 9263 / email : Mohammad.Amirul@my.tricorglobal.com

Mohamad Khairudin Bin. Tajudin : +603-2783 7973 / email : Mohamad.Khairudin@my.tricorglobal.com