

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, bank manager, solicitor, accountant or other professional advisers immediately.

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COMPUGATES®

COMPUGATES HOLDINGS BERHAD

(Registration No. 200401030779 (669287-H))
(Incorporated in Malaysia under the Companies Act 2016)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED SETTLEMENT OF DEBTS OWING TO SEE THOO CHAN (EXECUTIVE DIRECTOR AND SUBSTANTIAL SHAREHOLDER OF COMPUGATES HOLDINGS BERHAD ("CHB")) AND GOH KHENG PEOW (CHIEF EXECUTIVE OFFICER AND SUBSTANTIAL SHAREHOLDER OF CHB) AMOUNTING TO RM14,121,704.17 AS AT 23 FEBRUARY 2021 (SUBJECT TO PROOF OF DEBT) VIA THE ISSUANCE OF UP TO 763,335,360 NEW ORDINARY SHARES IN CHB ("CHB SHARES"), REPRESENTING APPROXIMATELY 24.9% OF THE EXISTING ISSUED CHB SHARES AT AN ISSUE PRICE OF RM0.0185 EACH ("PROPOSED DEBT SETTLEMENT")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



M&A SECURITIES SDN BHD

(Registration No. 197301001503 (15017-H))
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("EGM") of Compugates Holdings Berhad ("CHB" or "Company") will be held and conducted on a fully virtual basis through live streaming and online remote voting by 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 Thursday, 22 July 2021 at 2.00 p.m. or at any adjournment thereof. The Notice of EGM and the Form of Proxy are attached in this Circular.

The Form of Proxy should be completed in accordance with the instructions as 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>.

The lodging of the Form of Proxy will 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 day, date and time for lodging the Form of Proxy : Tuesday, 20 July 2021 at 2.00 p.m.
Day, date and time of the EGM : Thursday, 22 July 2021 at 2.00 p.m.

This Circular is dated 5 July 2021

DEFINITIONS

In this Circular, unless otherwise indicated, the following words and abbreviations shall have the following meanings:

Announcement	:	Announcement dated 24 February 2021 pursuant to the Proposed Debt Settlement
Board	:	Board of Directors of CHB
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
Circular	:	This circular to shareholders of CHB dated 5 July 2021
Creditors	:	Collectively, See Thoo Chan and Goh Kheng Peow
Creditors Settlement Sum	:	Debt owing to the Creditors as at 23 February 2021 totalling RM14,121,704.17 (subject to proof of debt) to be fully settled pursuant to the Proposed Debt Settlement
CSB	:	Compugates Sdn Bhd, a wholly-owned subsidiary of CHB
CMSB	:	Compugates Marketing Sdn Bhd, a wholly-owned subsidiary of CSB, which in turn is a wholly-owned subsidiary of CHB
CHB or the Company	:	Compugates Holdings Berhad
CHB Group or Group	:	CHB and its subsidiaries, collectively
CHB Shares or Shares	:	Ordinary shares in CHB
Debt Settlement Agreement	:	The debt settlement agreement dated 23 February 2021 entered into between the Creditors, CHB, CSB and CMSB pursuant to the Proposed Debt Settlement
EGM	:	Extraordinary general meeting of the Company
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending, as the case may be
LAT	:	Loss after taxation
LBT	:	Loss before taxation
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	28 June 2021, being the latest practicable date prior to the printing and despatch of this Circular
LPS	:	Losses per Share
M&A Securities	:	M&A Securities Sdn Bhd
NA	:	Net assets

DEFINITIONS (Cont'd)

Proposed Debt Settlement	:	Proposed settlement of debts amounting to RM14,121,704.17 owing to the Creditors via the issuance of up to 763,335,360 Settlement Shares, representing approximately 24.9% of the existing issued CHB Shares at an issue price of RM0.0185 per Settlement Share
Record of Depositors	:	A record of securities holders established and maintained by Bursa Depository under the rules of Bursa Depository
RM and sen	:	Ringgit Malaysia and sen respectively
Settlement Issue Price	:	Issue price of RM0.0185 per Settlement Share
Settlement Share(s)	:	New CHB Share(s) to be issued pursuant to the Proposed Debt Settlement
5D-VWAMP	:	5-day volume weighted average market price

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amount listed, actual figures and the totals thereof are due to rounding.

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TABLE OF CONTENTS

LETTER TO SHAREHOLDERS OF CHB IN RELATION TO THE PROPOSED DEBT SETTLEMENT:

NO.	DETAILS	PAGE
EXECUTIVE SUMMARY		
1.	INTRODUCTION	1
2.	DETAILS OF THE PROPOSED DEBT SETTLEMENT	2
3.	RATIONALE FOR THE PROPOSED DEBT SETTLEMENT	8
4.	EFFECTS OF THE PROPOSED DEBT SETTLEMENT	10
5.	ADDITIONAL INFORMATION	14
6.	HISTORICAL SHARE PRICE PERFORMANCE	18
7.	APPROVALS REQUIRED	19
8.	INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM	19
9.	DIRECTORS' STATEMENT AND RECOMMENDATION	19
10.	OUTSTANDING CORPORATE EXERCISES ANNOUNCED BUT PENDING IMPLEMENTATION	20
11.	ESTIMATED TIMEFRAME TO COMPLETION	20
12.	EGM	20
13.	FURTHER INFORMATION	21
APPENDIX		
I	FURTHER INFORMATION	22
NOTICE OF EGM		ENCLOSED
FORM OF PROXY		ENCLOSED

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED DEBT SETTLEMENT. THE SHAREHOLDERS OF CHB ARE ADVISED TO READ THE CIRCULAR AND ITS APPENDIX FOR FURTHER DETAILS AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSED DEBT SETTLEMENT BEFORE VOTING AT THE EGM

The Board (save for See Thoo Chan, who has abstained from all deliberations and voting on the Proposed Debt Settlement) is recommending shareholders of CHB to vote **IN FAVOUR** of the resolution in relation to the Proposed Debt Settlement to be tabled at the forthcoming EGM to be convened.

Key information	Description	Reference to Circular
Summary of the Proposed Debt Settlement	: The Company proposes to undertake a proposed settlement of Creditors Settlement Sum via the issuance of up to 763,335,360 Settlement Shares, representing approximately 24.9% of the existing issued CHB Shares at an issue price of RM0.0185 per Settlement Share.	Section 2
Settlement Issue Price	: The issue price which has been fixed at RM0.0185 per Settlement Share was arrived at after taking into consideration of the following: (i) the 5D-VWAMP of CHB Shares up to and including the LPD, being the last full trading day of the Shares prior to the execution of the Debt Settlement Agreement; (ii) willingness of the Creditors to voluntarily accrue their remuneration and provide their own funds as timely advances to meet the Group's urgent requirements on an interest-free basis; and (iii) the Creditors had agreed to forgo receiving cash as repayment and instead will be investing in the future of the Group by holding equity in the Company.	Section 2.3
Rationale for the Proposed Debt Settlement	: The Proposed Debt Settlement is intended to fully settle the Group's debts owing to the Creditors as at 23 February 2021. The Board is of the opinion that the Proposed Debt Settlement is the most appropriate method to settle the Creditors Settlement Sum in view of the following: (i) enable the Company to settle the indebtedness without incurring additional debt obligation/interest expenses by the Group; (ii) reduce the Group's debt without incurring significant cash outflow and allow cash flows to be channelled to day-to-day operation needs of the Group; (iii) reduce the Group's debt whilst conserving the Group's cash and bank balances, which can instead be used for other purposes including the working capital for the Group's business; and	Section 3

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Circular
	(iv) strengthen the Company's equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of the Group immediately after the settlement of Creditors Settlement Sum.	
Approvals Required	: The Proposed Debt Settlement is subject to approvals being obtained from the following: (i) Bursa Securities for the listing of and quotation for the Settlement Shares on the Main Market of Bursa Securities; (ii) shareholders of CHB at the forthcoming EGM to be convened; and (iii) any other relevant authorities, if required.	Section 6
Parties involved and the element of conflict of interest	: See Thoo Chan (Executive Director and substantial shareholder of CHB) and Goh Kheng Peow (Chief Executive Officer and substantial shareholder of CHB) are spouses and are deemed interested in the Proposed Debt Settlement and they will abstain and will also undertake to ensure that persons connected with them will abstain from voting, in respect of their direct and indirect shareholdings in CHB, on the resolution to approve the Proposed Debt Settlement at an EGM to be convened.	Section 7
Directors' recommendation	The Board (save for See Thoo Chan, who has abstained from all deliberations and voting on the Proposed Debt Settlement), is of the opinion that the Proposed Debt Settlement is in the best interest of the Group and its shareholders. Accordingly, the Board (save for See Thoo Chan, who has abstained from all deliberations and voting on the Proposed Debt Settlement) recommends that you vote in favour of the resolution at forthcoming EGM.	Section 8

COMPUGATES®

COMPUGATES HOLDINGS BERHAD

(Registration No. 200401030779 (669287-H))
(Incorporated in Malaysia under the Companies Act 2016)

Registered Office:

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

5 July 2021

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 DEBT SETTLEMENT

1. INTRODUCTION

On 24 February 2021, M&A Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Debt Settlement.

On 17 June 2021, M&A Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 17 June 2021 approved the listing of and quotation for the Settlement Shares on the Main Market of Bursa Securities.

The approval is subject to the following conditions:

	<u>Conditions</u>	<u>Status of Compliance</u>
(i)	CHB and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Debt Settlement;	To be complied
(ii)	CHB and M&A Securities is required to inform Bursa Securities upon completion of the Proposed Debt Settlement;	To be complied

	Conditions	Status of Compliance
(iii)	CHB 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 Debt Settlement is completed; and	To be complied
(iv)	CHB is required to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the extraordinary general meeting for the Proposed Debt Settlement.	To be complied

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS ON THE PROPOSED DEBT SETTLEMENT, TO SET OUT THE BOARD'S OPINION AND RECOMMENDATION ON THE PROPOSED DEBT SETTLEMENT AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED DEBT SETTLEMENT TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED DEBT SETTLEMENT TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DEBT SETTLEMENT

On 23 February 2021, CHB and its wholly owned subsidiaries, namely CSB and CMSB had entered into a Debt Settlement Agreement with the Creditors to settle the Creditors Settlement Sum via the issuance of up to 763,335,360 Settlement Shares at the Settlement Issue Price.

Pursuant to the Debt Settlement Agreement, CHB shall repay the Creditors Settlement Sum owing by the Company and/or its subsidiaries to the Creditors based on the cut-off date as at 23 February 2021 ("**Cut-Off Date**"), in the following manners:

Creditors	Amount owing to Creditor as at the Cut-Off Date RM	Creditors Settlement Sum RM	No. of Settlement Shares to be issued
Goh Kheng Peow	8,384,921.56	8,384,921.56	453,239,003
See Thoo Chan	5,736,782.61	5,736,782.61	310,096,357
Total	14,121,704.17	14,121,704.17	763,335,360

2.1 Information on Creditors

Information on Goh Kheng Peow

Goh Kheng Peow is currently the Chief Executive Officer and substantial shareholder of CHB. He resigned as the Managing Director on 16 June 2017 and was appointed as the Chief Executive Officer on the same date, where he is responsible for the strategic planning aspects of CHB Group. Further, he is also the director of CSB and CMSB where he is mainly responsible for the overall management of the operations. He is the spouse of See Thoo Chan, who is the Executive Director and substantial shareholder of the Company.

He has over 30 years of experience in sales and marketing line specialising in fast moving consumer products, office equipment, consumer electronics, medical equipment and telecommunication products. In 1999, he decided to venture into the field of entrepreneurship and took over the management of CMSB.

Goh Kheng Peow also sits on the board of several private limited companies. Goh Kheng Peow does not hold any directorship in other public listed company.

The details of debt owing by the Company, CSB and CMSB to Goh Kheng Peow as at the Cut-Off Date are as follows:

Purpose	Amount (RM)
Accrued remuneration and merit incentive awarded by CSB and CMSB from 2016 to 2020 ⁽¹⁾	6,166,999.99
Salary in lieu of accumulated annual leave totalling 182 days from 2011 to 2020 ⁽²⁾	749,135.50
Outstanding director's fees owing by CSB and CMSB from 2017 to 2020 ⁽³⁾	784,740.00
Advances extended to CHB (i.e. personal loans and credit card advances) from 2018 to finance the Group's working capital ⁽⁴⁾	684,046.07
Total	<u>8,384,921.56</u>

Notes:

- (1) The remuneration and merit incentive due to Goh Kheng Peow as the Chief Executive Officer of CHB mainly comprises of monthly salary and performance incentive (for securing joint venture projects and investors for private placement exercise) are borne by CSB and CMSB. Such remuneration and merit incentive were being withheld by the Company since 2016 to preserve its cash flow as the Company has been incurring losses and was unable to obtain funding from financial institutions.
- (2) The accumulated annual leave totaling 182 days was approved by the board of directors of CHB and CSB to be brought forward.
- (3) Goh Kheng Peow acknowledges that the past years had been exceedingly challenging for the Company as it has been recording losses for the past financial years. As such, Goh Kheng Peow is willing to voluntarily accrue his director's fees since 2017 to ease the cash flow concerns of the Company.
- (4) Goh Kheng Peow had in his personal capacity borrowed from various financial institutions and on-lent to the Group to finance the Group's working capital. The advances were made by Goh Kheng Peow to the Company interest free and with no fixed repayment schedule from Goh Kheng Peow. However, the loans bear interest rates payable to the financing institutions ranging from 8.88% to 14.44% per annum and Goh Kheng Peow is required to repay the bank loan on a monthly basis.

The advances amount of approximately RM0.68 million includes the financing cost imposed or charged by the financial institutions to Goh Kheng Peow comprising bank fees, interests, cost of funds and stamp duty in relation to the loans of approximately RM0.12 million.

The balance advances amount of RM0.56 million made to CHB by Goh Kheng Peow were utilised for the following purposes:

Details	RM'000
Repayment of trade creditors and purchases	266
Repayment of bank borrowings	18
Staff cost (i.e. staff salary, contributions to Employees Provident Fund Board and other statutory payments)	281
Total	565

The Company had considered, amongst others, the following in taking up the advances from Goh Kheng Peow:

- (a) The Company was not able to obtain immediate funding from financial institutions;
- (b) There is no interest charged for advances from Goh Kheng Peow (other than reimbursement of finance cost by Goh Kheng Peow);
- (c) There is no fixed repayment schedule for advances from Goh Kheng Peow; and
- (d) The advances would enable the Group's working capital funding requirements to be addressed in a timely manner.

Information on See Thoo Chan

See Thoo Chan is currently the Executive Director and substantial shareholder of CHB. She was appointed a Non-Independent Non-Executive Director of the Company on 21 March 2007. She was re-designated as Executive Director on 3 January 2014. She is the spouse of Goh Kheng Peow, who is the Chief Executive Officer and substantial shareholder of the Company.

She obtained her Higher School Certificate in 1980. See Thoo Chan has numerous years of experience in trading telecommunication products.

The details of debt owing by the Company, CSB and CMSB to See Thoo Chan as at the Cut-Off Date are as follows:

Purpose	Amount (RM)
Accrued remuneration and merit incentive awarded by CSB and CMSB from 2016 to 2020 ⁽¹⁾	644,000.00
Salary in lieu of accumulated annual leave totalling 118 days from 2014 to 2020 ⁽²⁾	106,580.73
Advances extended to CHB (i.e. personal loans and credit card advances) from 2018 to finance the Group's working capital ⁽³⁾	4,986,201.88
Total	5,736,782.61

Note:

- (1) The remuneration and merit incentive due to See Thoo Chan as the Executive Director of CHB which mainly comprises of monthly salary and performance incentive (for securing joint venture projects and investors for private placement exercise) are borne by CSB and CMSB. Such remuneration and merit incentive were withheld by

the Company since 2016 to preserve its cash flow as the Company has been incurring losses and was unable to obtain funding from financial institutions.

- (2) The accumulated annual leave totaling 118 days was approved by the board of directors of CHB and CSB to be brought forward.
- (3) See Thoo Chan had in her personal capacity borrowed from various financial institutions and on-lent to the Group to finance the Group's working capital. The advances were made by See Thoo Chan to the Company interest free and with no fixed repayment schedule from See Thoo Chan. However, the loans bear interest rates payable to the financing institutions ranging from 4.90% to 14.44% per annum and See Thoo Chan is required to repay the bank loan on a monthly basis.

The repayment sum of approximately RM4.99 million includes the finance cost imposed or charged by the financial institutions to See Thoo Chan comprising bank fees, interests, cost of funds and stamp duty in relation to the loans of approximately RM1.28 million.

The balance advances of RM3.71 million made to CHB by See Thoo Chan were utilised for the following purposes:

Details	RM'000
Repayment of trade creditors and purchases	725
Repayment of bank borrowings	1,186
Staff cost (i.e. staff salary, contributions to Employees Provident Fund Board and other statutory payments)	1,798
Total	<u>3,709</u>

The Company had considered, amongst others, the following in taking up the advances from See Thoo Chan:

- (a) The Company was not able to obtain immediate funding from financial institutions;
- (b) There is no interest charged for advances from See Thoo Chan (other than reimbursement of finance cost by See Thoo Chan);
- (c) There is no fixed repayment schedule for advances from See Thoo Chan; and
- (d) The advances would enable the Group's working capital funding requirements to be addressed in a timely manner.

2.2 Salient terms of Debt Settlement Agreement

The salient terms and conditions of the Debt Settlement Agreement include, amongst others, the following:-

- (i) The parties have mutually reached a settlement in respect of the full and final settlement of the Creditors Settlement Sum owing by CHB, CSB and CMSB as at the Cut-off Date to the Creditors by way of the allotment and issuance of 763,335,360 Settlement Shares at the Settlement Issue Price to the Creditors upon the terms and subject to the conditions set out in the Debt Settlement Agreement.
- (ii) Upon allotment and issuance of the Settlement Shares to the Creditors, the Creditors Settlement Sum shall be deemed fully paid by CHB, CSB and CMSB to the Creditors and the Creditors shall not have further claim whatsoever against CHB, CSB and CMSB in relation to the Creditors Settlement Sum.

- (iii) The Settlement Shares shall be issued, credited as fully paid-up and ranking pari passu in all respects with the then existing CHB Shares except that they shall not be entitled to any dividends or other form of distribution which may be declared prior to the date of their allotment.
- (iv) The Debt Settlement Agreement shall be subject to and conditional upon the fulfilment of the following conditions precedent ("**Conditions Precedent**") on or before the date falling six months from the date of the Debt Settlement Agreement or by such later date(s) as the parties hereto may mutually agree in writing ("**Agreement Cut-Off Date**"):
 - (a) The approval of Bursa Securities and any other relevant authorities, if required, for the Proposed Debt Settlement, the issuance, listing and quotation of the Settlement Shares to be issued to the Creditors pursuant to the Proposed Debt Settlement on the Main Market of Bursa Securities;
 - (b) The approval of the Board in respect of the Proposed Debt Settlement and the execution of the Debt Settlement Agreement upon the terms and conditions contained in the Debt Settlement Agreement;
 - (c) The approval of the shareholders of CHB in a general meeting to be convened for the Proposed Debt Settlement and the issuance, listing and quotation of the Settlement Shares to be issued to the Creditors pursuant to the Proposed Debt Settlement on the Main Market of Bursa Securities; and
 - (d) The completion of the proof of debt exercise to be carried out by the external auditor of CHB to ascertain and verify the transactions/advances related to the Creditors and the amount owing to the Creditors correspond with the Creditors Settlement Sum, to the satisfaction of the Board.
- (v) If the Conditions Precedent have not been fulfilled or deemed fulfilled for any reason whatsoever or have not been waived by the Agreement Cut-off Date, the Debt Settlement Agreement shall be deemed to be terminated and shall be null and void and of no effect, and neither party hereto shall have any claim against the other, save in respect of any antecedent breach.
- (vi) The Debt Settlement Agreement shall become unconditional on the date when the last of the Conditions Precedent has been fulfilled or deemed fulfilled, and CHB has given immediate written confirmation in respect thereof, or if conditions have been imposed in respect of the approvals, such conditions are acceptable to the parties thereto, or upon the conditions of the approvals having been modified to the acceptance of and notified to the Affected Party in accordance with Paragraph 2.2(vii) below or waived (only to the extent allowable by law) ("**Unconditional Date**").
- (vii) In the event that any condition or variation ("**Adverse Condition**") is imposed by any of the relevant authorities in respect of the respective approvals which materially and adversely affects any of the parties thereto ("**Affected Party**"), the Affected Party may appeal to the relevant authorities for an amendment or waiver of the Adverse Condition within fourteen (14) business days after receiving the written approval of the relevant authorities. If the Affected Party fails to so appeal within the aforesaid period, the Affected Party shall be deemed to have accepted the Adverse Condition and the Condition Precedent shall be deemed to have been satisfied. In the event that any of the relevant authorities reject the appeal or approves the application with amended conditions not acceptable to either party or the approvals have not been waived as a Conditions Precedent, then the Condition Precedent shall be deemed not to have been satisfied unless the Affected Party accepts such conditions imposed by the relevant authorities.

- (viii) The parties agree that in the event the results of the proof of debt exercise referred to in Paragraph 2.2(iv)(d) indicate that the amount owing to the Creditors shall be lower than the Creditors Settlement Sum, this shall not be deemed as a non-fulfilment of the Conditions Precedent and shall not be a valid ground for termination pursuant to the terms of the Debt Settlement Agreement. In this event the parties agree that the following shall occur:
 - (a) The Creditors Settlement Sum shall be adjusted to reflect the actual amount owing to the Creditors based on the results of the proof of debt exercise; and
 - (b) The number of Settlement Shares to be allotted and issued based on the Settlement Issue Price in accordance with the terms of the Debt Settlement Agreement shall be adjusted accordingly to reflect the actual amount owing to the Creditors based on the results of the proof of debt exercise.
- (ix) The parties to the Debt Settlement Agreement may mutually agree to terminate the Debt Settlement Agreement whereupon the Debt Settlement Agreement shall become null and void and none of the parties thereto shall have any claim against the other save in respect of any antecedent breaches.
- (x) The completion of the Settlement Arrangement shall take place within thirty (30) days from the Unconditional Date or on such date as the parties thereto may mutually agree in writing.

2.3 Basis and justification of determining the issue price for the Settlement Shares

The issue price of RM0.0185 per Settlement Share was arrived at after taking into consideration of:

- (i) the 5D-VWAMP of Shares up to and including 23 February 2021, being the last full trading day of the Shares prior to the execution of the Debt Settlement Agreement. The Settlement Issue Price represents a discount of 7.96% to the 5D-VWAMP of the CHB Shares of RM0.0201.

The pricing of the Settlement Shares draw reference to the pricing mechanism of placement securities as stipulated under Paragraph 6.04 of the Listing Requirements, which allows a discount of up to 10.00% to the 5D-VWAMP of listed issuer;

- (ii) willingness of the Creditors to voluntarily accrue their remuneration and provide their own funds as timely advances to meet the Group's urgent requirements on an interest-free basis. The advances from the Creditors had reduced the amounts owed by the Group to its banks, which was crucial because of the Group's current financial situation; and
- (iii) the Creditors had agreed to forgo receiving cash as repayment and instead will be investing in the future of the Group by holding equity in the Company. As such, the Creditors are exposed to the market risk of CHB Shares price which is influenced by, amongst others, the market sentiments, the liquidity of CHB Shares, interest rate movements, volatility of the equity markets as well as our financial performance.

After considering the above, the Board is of the opinion that the issue price of Settlement Shares is fair and reasonable.

2.4 Ranking of the Settlement Shares

The Settlement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that the Settlement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions where the entitlement date of such dividends, rights, allotments and/or any other distributions precedes the relevant date of allotment and issuance of the Settlement Shares.

2.5 Listing of and quotation for Settlement Shares

Approval-in-principle has been obtained from Bursa Securities, vide its letter dated 17 June 2021, for the listing of and quotation for up to 763,335,360 Settlement Shares on the Main Market of Bursa Securities.

2.6 Utilisation of proceeds

The Settlement Shares are issued as settlement of the amount owing to the Creditors. As such, there will not be any proceeds raised from the issuance of the Settlement Shares.

3. RATIONALE FOR THE PROPOSED DEBT SETTLEMENT

The Proposed Debt Settlement is intended to fully settle the Creditors Settlement Sum. The Board is of the view that the settlement of the Creditors Settlement Sum via the issuance of Settlement Shares to the Creditors is the most appropriate method as it would enable the Group to:

- (i) settle the indebtedness without incurring additional debt obligation/ interest expenses by the Group;
- (ii) reduce its debt without incurring significant cash outflow and allow cash flows to be channelled to day-to-day operation needs of the Group;
- (iii) reduce the Group's debt whilst conserving the Group's cash and bank balances, which can instead be used for other purposes including the working capital for the Group's business. The cash and bank balances of the Group stood at RM476,045 and RM554,052 based on the latest audited financial statements for FYE 2020 and latest unaudited quarterly result for FPE 31 March 2021 respectively; and
- (iv) strengthen the Company's equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of the Group immediately after the settlement of Creditors Settlement Sum.

All the Company's existing shareholders' shareholding percentages (other than the Creditors) will be diluted as a result of the issuance of Settlement Shares. However, if the Group had taken on bank borrowings to repay the Creditor Settlement Sum in cash:

- (i) the Group would need to comply with bank borrowings requirements such as pledging its existing assets as collateral, with potentially significant covenants being imposed by banks and/or fixed payment schedules which would affect its control over its assets and cash flows;
- (ii) the Group would incur legal fees and stamp duty for loan documentation as well as other processing and administrative fees in addition to interest cost; and

- (iii) in view of the current financial position of the Group which has been incurring losses, it would be difficult for the Group to obtain bank borrowings.

In the past 12 months preceding this announcement, CHB had undertaken the following fund-raising exercises:

- (i) On 22 December 2017, CHB announced that the Company intends to undertake a private placement exercise of up to 586,929,400 new CHB Shares, representing 25% of the total number of issued shares in CHB. The private placement exercise has lapsed on 16 July 2020.

Under this exercise, the Company had issued a total of 226,545,900 new CHB Shares in multiple tranches at an average issue price of RM0.017 each and raised total gross proceeds of RM3.90 million. The details and status of the utilisation of proceeds raised are as follows:

Purpose	Proposed utilisation RM'000	Actual proceeds raised and utilised RM'000	Balance proceeds unutilised RM'000	Intended timeframe for utilisation from the listing date
Repayment of advances	2,199	2,159	-	Within 2 months
Repayment of trade creditors	2,528	1,113	-	Within 2 months
Working capital				
- Inoculation of agarwood /gaharu trees	920	-	-	Within 18 months
- Advertisement and promotion for gaharu tea	173	-	-	Within 18 months
- Staff related expenses	1,625	305	-	Within 9 months
- Sundry expenses	553	93	-	Within 9 months
Reserved funds for new business	5,081	-	-	Within 24 months
Expenses for the proposals	420	230	-	Within 1 month
	13,499	3,900	-	

- (ii) On 11 August 2020, CHB announced that the Company intends to undertake a private placement exercise of up to 514,852,700 new CHB Shares, representing not more than 20% of the total number of issued shares in CHB ("**Private Placement 2020**").

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On 16 March 2021, the Private Placement 2020 was deemed completed with the listing of 494,752,500 new CHB Shares raising total gross proceeds of RM9.17 million. The details and status of the utilisation of proceeds are as follows:

Purpose	Proposed utilisation based on actual proceeds raised RM'000	Actual proceeds raised and utilised RM'000	Balance proceeds unutilised RM'000	Intended timeframe for utilisation from the listing date
Working capital	8,972	⁽ⁱ⁾ 7,957	1,015	Within 12 months
Expenses for the Private Placement 2020	200	86	114	Within 1 month
	9,172	7,961	1,129	

Note:

- (i) The breakdown of utilisation of approximately RM7.96 million for the Group's working capital is as follows:

Details	RM'000
Repayment of trade creditors and purchases	4,032
Staff and directors related expenses	3,218
Payment for professional fees (i.e. auditor fees, tax agent fees, company secretary fees and legal adviser fees)	361
Sundry expenses (i.e. office overheads and administrative expenses)	97
Other miscellaneous expenses	248
Total	7,957

4 EFFECTS OF THE PROPOSED DEBT SETTLEMENT

4.1 Share capital

The pro forma effects of the Proposed Debt Settlement on the issued share capital of CHB are as follows:

	No. of CHB Shares	RM
Share capital as at the LPD	3,069,016,320	60,666,328
To be issued pursuant to the Proposed Debt Settlement	763,335,360	⁽ⁱⁱ⁾ 14,121,704
Issued share capital	3,832,351,680	74,788,032

Note:

- (i) Based on the issuance of 763,335,360 Settlement Shares, representing approximately 24.9% of the existing issued CHB Shares at the Settlement Issue Price.

4.2 NA and gearing

The pro forma effects of the Proposed Debt Settlement on the consolidated NA per CHB Share and gearing of the Group based on the latest audited consolidated financial statement of financial position of the Group as at 31 December 2020 and assuming the Settlement Issue Price, are as follows:-

	Audited as at 31 December 2020	⁽ⁱ⁾Adjusted for subsequent events	After Proposed Debt Settlement
	RM'000	RM'000	RM'000
Share capital	56,245	60,666	⁽ⁱⁱ⁾ 74,788
Revaluation reserve	31,176	31,176	31,354
Other reserve	(2,100)	(2,100)	(2,100)
Retained earnings	15,379	15,379	⁽ⁱⁱⁱ⁾ 15,129
Total equity attributable to owners of the Company/NA	100,700	105,121	119,171
Non-controlling interest	29,530	29,530	29,530
Total equity	130,230	134,651	148,701
No. of Shares ('000)	2,828,572	3,069,016	3,832,352
NA per ordinary share (RM)	0.04	0.03	0.03
Total borrowings (RM'000)	4,542	5,670	^(iv) -
Gearing ratio (times)	0.03	0.04	-

Notes:-

- (i) After adjusting for the issuance of 593,520,800 new CHB Shares since 1 January 2020 up to the LPD.
- (ii) After the issuance of 763,335,360 Settlement Shares at the Settlement Issue Price.
- (iii) After adjusting for the estimated expenses relating to the Proposed Debt Settlement of approximately RM0.25 million.
- (iv) After the settlement of the amount due to director and the chief executive officer pursuant to the Proposed Debt Settlement. The said amount due to the director and chief executive officer are back-to-back advances comprising various personal loans and credit card facilities, borrowed in their personal capacity from the financial institutions and on-lent to the Group and to the Company, which bear interest rates payable to the financing institutions ranging from 4.90% to 14.44% per annum.

4.3 Losses and LPS

The Proposed Debt Settlement is not expected to have any material effect on the earnings of the CHB Group for the financial year ending 31 December 2021. However, the LPS of CHB Group is expected to be diluted as a result of the increase in the number of existing CHB Shares upon issuance of the Settlement Shares.

For illustrative purposes, based on the audited consolidated financial statements of the Group for FYE 31 December 2020 and assuming that the Proposed Debt Settlement has been completed on 1 January 2021 (beginning of the FYE 31 December 2021), the pro forma effects on the losses and LPS of CHB Group are as follows:

	Audited FYE 31 December 2020	After Proposed Debt Settlement
LAT (RM'000)	(7,140)	⁽ⁱ⁾ (7,390)
No. of Shares ('000)	2,828,572	3,832,352
LPS (sen)	(0.25)	(0.19)

Note:

- (i) After accounting for estimated expenses incidental to the Proposed Debt Settlement of approximately RM0.25 million (which are non-recurring in nature).

4.4 Dividends

The Proposed Debt Settlement will not have any effect on the dividend policy of the Company, if any. Future dividends to be declared by the Company will be dependent on, *inter-alia* the future financial performance as well as cash position of the Group, after taking into consideration the working capital requirements, capital expenditures need for future growth and business expansion.

4.5 Convertible Securities

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

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4.6 Substantial shareholders' shareholding

The pro forma effects of the Proposed Debt Settlement on the shareholding of the substantial shareholders of CHB based on the Company's Register of Substantial Shareholders as at the LPD are set out in the table below:-

Substantial shareholders	As at the LPD			After the Proposed Debt Settlement				
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	(i)%	No. of Shares	(i)%	No. of Shares	(ii)%	No. of Shares	(ii)%
Goh Kheng Peow	56,050,010	1.8	⁽ⁱⁱⁱ⁾ 102,884,400	3.4	509,289,013	13.3	⁽ⁱⁱⁱ⁾ 412,980,757	10.8
See Thoo Chan	102,884,400	3.4	^(iv) 56,050,010	1.8	412,980,757	10.8	^(iv) 509,289,013	13.3
Sierra Bonus Sdn Bhd	248,331,300	8.1	-	-	248,331,300	6.5	-	-
Khor Chong Hai	211,389,000	6.9	-	-	211,389,000	5.5	-	-
Curate Holdings Sdn Bhd	242,547,500	7.9	-	-	242,547,500	6.3	-	-
Soo Yi Xin	200,000	~	^(v) 242,547,500	7.9	200,000	~	^(v) 242,547,500	6.3

Notes:-

- ~ Negligible
- (i) Based on the existing share capital of 3,069,016,320 Shares as at the LPD.
- (ii) Based on the enlarged share capital of 3,832,351,680 after the Proposed Debt Settlement.
- (iii) Deemed interest by virtue of his spouse, See Thoo Chan's direct interest in CHB.
- (iv) Deemed interest by virtue of her spouse, Goh Kheng Peow's direct interest in CHB.
- (v) Deemed interest by virtue of her direct interest in Curate Holdings Sdn Bhd.

5. ADDITIONAL INFORMATION

5.1 Commentary on the financial performance and financial position of the CHB Group

The summary of financial performances of the CHB Group for the audited FYE 31 December 2017 to 2020 together with the commentaries are as follows:

	Audited			
	FYE 31	FYE 31	FYE 31	FYE 31
	December	December	December	December
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Revenue	28,077	19,262	4,590	4,371
(LBT)	(7,614)	(5,234)	(8,898)	(7,191)
(LAT)	(7,416)	(5,637)	(8,284)	(7,140)
Shareholders' equity/NA (RM'000)	140,564	137,004	131,220	130,230
Number of shares ('000)	2,347,718	2,347,718	2,475,496	2,828,572
(LPS) (sen)	(0.32)	(0.24)	(0.33)	(0.25)
NA per share (RM)	0.06	0.06	0.05	0.05

Financial commentaries:

FYE 31 December 2016 VS FYE 31 December 2017

For the FYE 31 December 2017, the Group recorded revenue of approximately RM28.1 million which represents a decrease of approximately RM51.0 or 64.5% as compared to the revenue of approximately RM79.1 million in FYE 31 December 2016. The lower revenue was mainly due to lower contribution from the consumables (e.g. printer ink cartridges, toners and drums) ("**Consumables**") and the management's focus on selling its hardware products (e.g. printers, scanners and cameras) ("**Hardware**") only to selective dealers who are able to make prompt payments.

The Group recorded a LBT during the FYE 31 December 2017 of approximately RM7.6 million, which was approximately RM0.2 million higher as compared to the LBT of approximately RM7.4 million in FYE 31 Dec 2016. The higher LBT was mainly due to the implementation of Voluntary Separation Scheme ("**VSS**") of approximately RM0.9 million which is expected to result in cost savings over a longer period, in conjunction with the absence of reversal of accrued of consultancy fees, staff amenities and staff training amounting to approximately RM0.7 million as incurred in FYE 31 December 2016.

During the financial year under review, the Company had completed a private placement exercise following the listing and quotation for 213,428,900 new CHB Shares on the Main Market of Bursa Securities on 30 October 2017. Pursuant to the said private placement exercise, the Company had raised a total proceeds of approximately RM4.91 million. For information purpose, the proceeds raised had been fully utilized as at the date of this announcement.

FYE 31 December 2017 VS FYE 31 December 2018

For the FYE 31 December 2018, the Group registered revenue of approximately RM19.3 million, which represents a decrease of approximately RM8.8 million or 31.3% as compared to the revenue of approximately RM 28.1 million in FYE 31 December 2017. The lower revenue was mainly due to lower quantities of Hardware and Consumables sold as a result of the weak market sentiment and competition from online purchases by consumers who tend to bypass intermediaries to make their purchases online at lower costs.

Despite the decrease in revenue, the Group recorded a lower LBT of approximately RM5.2 million during the FYE 31 December 2018 as compared to the LBT of approximately RM7.6 million in FYE 31 December 2017. The lower LBT was mainly attributable to the following:

- (i) increase in other income of approximately RM2.6 million which comprises a gain on partial disposal of the land held for property development and the compensation income via compulsory land acquisition of approximately RM3.7 million; and
- (ii) reduction in staff salaries and incentives pursuant to the VSS of approximately RM2.2 million

However, it was offset by (i) the reduction in sales incentive received by the Group of approximately RM0.9 million from the trading segment due to lesser purchases by the Group from the suppliers; and (ii) the provision of merit incentive and leave entitlement to the Director of approximately RM2.7 million.

FYE 31 December 2018 VS FYE 31 December 2019

For the FYE 31 December 2019, the Group registered revenue of approximately RM4.6 million, which represents a decrease of approximately RM14.7 million or 76% as compared to the revenue of approximately RM19.3 million in FYE 31 December 2018. The lower revenue was mainly due to the lower quantities of hardware and consumables sold given the rapid changes of the e-commerce industry which has a direct impact to the group's traditional retail sales channels.

Following thereto, the Group recorded a higher LBT of approximately RM8.9 million in the FYE 31 December 2019 as compared to the LBT of approximately RM5.2 million in FYE 31 December 2018. The higher LBT in FYE 31 December 2019 was attributed mainly by the absence of other income of approximately RM3.8 million which comprises of a gain on partial disposal of land held for property development via a compulsory land acquisition with a compensation income of approximately RM3.7 million.

FYE 31 December 2019 VS FYE 31 December 2020

For the FYE 31 December 2020, the Group registered revenue of approximately RM4.4 million, which represents a decrease of approximately RM0.2 million or 4.8% as compared to the revenue of approximately RM4.6 million in FYE 31 December 2019. The lower revenue was mainly contributed by a market shortage of the information technology ("IT") hardware products thereby hampering the ability to fulfil the spike in demand in view of the Movement Control Order imposed.

The Group recorded a lower LBT of approximately RM7.2 million in the FYE 31 December 2020 as compared to the LBT of approximately RM8.9 million in FYE 31 December 2019. The lower LBT in FYE 31 December 2020 was attributed mainly by a lower provision of director fees and remuneration of approximately RM1.3 million and an increase in other income of approximately RM0.7 million arising from a further compensation from compulsory land acquisition.

5.2 Value creation and impact of the Proposed Debt Settlement to the Company and its shareholders

The Proposed Debt Settlement is not expected to have any material impact on the earnings of the Group as the Proposed Debt Settlement does not involve any injection of new funds into the Company.

The Group's EPS and shareholders' shareholdings of CHB (other than the Creditors) will be diluted as a result of the increase in the number of issued CHB Shares upon issuance of the Settlement Shares.

The issuance of the Settlement Shares would significantly reduce the amount of cash settlement required for the repayment of the Creditor Settlement Sum thus preserving the cash flows of the Group. In addition, the issuance of new CHB Shares is expected to increase and strengthen the capital base of the Company.

5.3 Adequacy of the Proposed Debt Settlement in addressing the Group's financial concerns

The Proposed Debt Settlement is not intended to address the Group's current financial concerns. However, as illustrated in Section 4.2 of this Circular, the Proposed Debt Settlement will improve the Company's capital structure as well as its gearing.

Moving forward, the Board will continue to assess the Group's funding requirements which may include, amongst others, undertaking corporate exercises to improve its financial condition.

5.4 Steps or actions which have been taken/will be taken to improve the financial condition of CHB Group

The Group has undertaken and/or plans to undertake the following to improve the financial condition of the Group:

- (i) Adoption of more effective cost management measures to control the Group's operational expenses. The Group will closely monitor the prices of its products by cutting back on its stock inventory of goods such as IT consumables with lower margins and focus on sourcing and growing its IT hardware and Imaging products with higher margins through new product initiatives;
- (ii) The Group had completed the Private Placement 2020 on 16 March 2021. The proceeds raised from the Private Placement 2020 was mainly utilised for the working capital of the Group. The Proposed Private Placement will improve the cash and bank balance position of the Company from RM0.16 million (based on the unaudited results of the Group for the financial period ended 31 March 2020) to RM9.33 million. The additional funding will also enable the Group to fund its working capital requirements and to expand its range of products offerings, especially products that can generate better profit margin for its trading and service segment; and
- (iii) The Group had on 5 August 2016 procured the approval from its shareholders to diversify the Group's business to include property investment holding. Additionally, the Group is also persistently identifying suitable business opportunities to venture into other business segment which provides additional stream of revenue to the Group. As at the LPD, the Group has yet to identify any new business. CHB will make the necessary announcement and obtain the relevant approval, if required should such opportunities arises.

5.5 Details of the fund raising exercises undertaken by CHB in the last 3 years

Save as disclosed below, CHB has not undertaken any other fund raising exercises or issued any new Shares to raise funds for the past 3 years up to the LPD:

- (i) On 30 October 2017, the Company had completed a private placement exercise with the issuance of 213,428,900 new CHB Shares, representing 10% of the total number of issued shares in CHB which raised total proceeds of approximately RM4.91 million. The details and status of the utilisation of proceeds raised are as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance RM'000	Intended timeframe for utilisation from the listing date
Repayment of trade creditors	1,469	1,232	-	Within 12 months
Repayment of bank borrowings	3,286	3,590	-	Within 1 month
Expenses for the private placement	154	97	-	Within 1 month
	4,909	4,909	-	

- (ii) On 22 December 2017, CHB announced that the Company intends to undertake a private placement exercise of up to 586,929,400 new CHB Shares, representing 25% of the total number of issued shares in CHB. The private placement exercise has lapsed on 16 July 2020. Under this exercise, the Company raised total gross proceeds of approximately RM3.90 million. The details and status of the utilisation of proceeds are set out in Section 3 of this Circular.
- (iii) On 16 March 2021, the Company had completed the Private Placement 2020 which raised total gross proceeds of approximately RM9.17 million. The details and status of the utilisation of proceeds are set out in Section 3 of this Circular.

5.6 Impact of COVID-19

The Government had imposed the movement control order ("MCO") effective from 18 March 2020 up to 30 April 2020 via a series of extension to contain the coronavirus disease 2019 ("COVID-19") outbreak following the declaration of the same as a global pandemic by the World Health Organisation on 11 March 2020. As a result of the MCO, the normal operations of the Group have been disrupted due to the closure of office premises for the purpose of complying with the MCO during its earlier phases.

On 1 May 2020, the Government announced the transition into conditional MCO, thereby allowing the resumption of several economic sectors and businesses effective from 4 May 2020 onwards, subject to compliance with certain standard operating procedures ("SOPs").

On 7 June 2020, the conditional MCO was transitioned into a recovery MCO with effect from 10 June 2020 until 31 August 2020 and further extended to 31 December 2020, which allowed the opening up of almost all economic sectors and businesses subject to adherence with the SOPs.

As a result of renewed waves of COVID-19 cases at the start of 2021, the Malaysian Government again imposed different phases of domestic containment measures in the various states and districts.

Except during its earlier phases (where our office premises were required to be closed for a period commencing 18 March 2020 up to 18 April 2020), the different phases of MCO have not significantly affected our business operations, as we are allowed to operate subject to compliance with SOPs. For the FPE 31 March 2021, the Group registered revenue of approximately RM1.66 million as compared to FPE 31 December 2020 of approximately RM1.25 million. The higher revenue recorded was due to a spike in demand for the IT hardware products and related consumable cartridge as a result of the shift towards digitalisation and change in lifestyles (such as working-from-home arrangements and online learning classes) which had led to increase in demand for the IT products post-MCO.

The overall impact of the COVID-19 pandemic on the Group's businesses would depend on the duration and spread of the outbreak as well as the policy responses by the authorities. Any prolonged global spread of the COVID-19 pandemic and restrictive measures to curb the spread of COVID-19 may have a material impact to the Group's business, cash flows and financial condition and results of operations, resulting in a loss of revenue.

6. HISTORICAL SHARE PRICE PERFORMANCE

The monthly highest and lowest market prices of CHB Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High	Low
	RM	RM
2020		
May	0.020	0.010
June	0.025	0.010
July	0.025	0.015
August	0.050	0.020
September	0.035	0.020
October	0.025	0.020
November	0.030	0.020
December	0.025	0.020
2021		
January	0.025	0.015
February	0.025	0.015
March	0.035	0.015
April	0.025	0.020
May	0.025	0.015
June	0.025	0.015
The last transacted market price of CHB Shares immediately prior to the announcement of the Proposed Debt Settlement on 24 February 2021		0.020
Last transacted market price on the LPD		0.020

(Source: M&A Securities)

7. APPROVALS REQUIRED

The Proposed Debt Settlement is subject to approvals being obtained from the following:

- (i) Bursa Securities which was obtained on 17 June 2021 for the listing of and quotation for up to 763,335,360 Settlement Shares on the Main Market of Bursa Securities;
- (ii) shareholders of CHB at the forthcoming EGM to be convened; and
- (iii) any other relevant authorities, if required.

The Proposed Debt Settlement is not conditional upon any other corporate proposals undertaken or to be undertaken by CHB.

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

See Thoo Chan is the Executive Director and substantial shareholder of CHB.

Goh Kheng Peow is the Chief Executive Officer and substantial shareholder of CHB.

See Thoo Chan and Goh Kheng Peow are spouses and are deemed interested in the Proposed Debt Settlement and they will abstain and will also undertake to ensure that persons connected with them will abstain from voting, in respect of their direct and indirect shareholdings in CHB, on the resolution to approve the Proposed Debt Settlement at an EGM to be convened.

In addition, See Thoo Chan has abstained and will continue to abstain from all deliberations voting on the Proposed Debt Settlement at Board meetings in relation to the Proposed Debt Settlement.

For the avoidance of doubt, Goh Tai Wai who is the Non-Independent Non-Executive of CHB and nephew of Goh Kheng Peow is not deemed as a person connected pursuant to Section 197 of the Act.

Save as disclosed above, none of the Directors, major shareholders, chief executive and/or person connected with them have any interest, whether direct or indirect, in the Proposed Debt Settlement.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for See Thoo Chan, who has abstained from all deliberations and voting on the Proposed Debt Settlement), after having considered all aspects of the Proposed Debt Settlement (including but not limited to the basis of the rationale and financial effects of the Proposed Debt Settlement), is of the opinion that the Proposed Debt Settlement is in the best interests of the CHB Group and its shareholders.

Accordingly, the Board (save for See Thoo Chan, who has abstained from all deliberations and voting on the Proposed Debt Settlement) recommends that you vote in favour of the resolution for the Proposed Debt Settlement at the forthcoming EGM to be convened.

10. OUTSTANDING CORPORATE EXERCISES ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposed Debt Settlement, there is no other corporate exercise/scheme being undertaken by the Company which has been announced but is pending implementation as at the date of this Circular.

11. ESTIMATED TIMEFRAME TO COMPLETION

The tentative timetable in relation to the Proposed Debt Settlement is as follows:

Date	Events
22 July 2021	EGM for the Proposed Debt Settlement
August 2021	Listing of and quotation for the Settlement Shares on the Main Market of Bursa Securities and the completion of the Proposed Debt Settlement

Barring any unforeseen circumstances and subject to receipt of all relevant approvals, the Proposed Debt Settlement is expected to be completed by second half of 2021.

12. EGM

The forthcoming EGM, a notice of which is enclosed in this Circular, will be held and conducted on a fully virtual basis through live streaming and online remote voting by 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 Thursday, 22 July 2021 at 2.00 p.m or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the ordinary resolution to give effect to the Proposed Debt Settlement.

If you are unable to attend and vote at the EGM, you may complete the Form of Proxy and deposit it at 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, 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>.

The lodging of the Form of Proxy will 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.

13. FURTHER INFORMATION

You are advised to refer to the ensuing appendix set out in this Circular for further information.

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

TAN SRI DATUK ASMAT BIN KAMALUDIN
Independent Non-Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all enquiries as were reasonable in the circumstances 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 AND DECLARATION**Consent**

M&A Securities has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereon in the form and context in which they appear in this Circular.

Conflict of interest

M&A Securities is not aware of any conflict of interest that exists or is likely to exist in its capacity as the Adviser to CHB in relation to the Proposed Debt Settlement.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, to the best knowledge of the Board, neither CHB nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on the financial position or business of CHB Group, and the Board is not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group:

Compugates Development and Mining Sdn Bhd ("**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 is a caveat lodged on the MUSB JV Land by MUSB pursuant to the MUSB JVA.

CDMSB has instituted a civil action against MUSB for, inter alia: (i) an order that the Compensation Sum is released to CDMSB; (ii) a declaration that the MUSB JVA has been terminated due to MUSB's failure to comply with the conditions precedent therein; and (iii) a declaration that CDMSB is entitled to forfeit a deposit of RM3,000,000.00 paid by CDMSB to MUSB under the MUSB JVA. MUSB has filed a counter claim against CDMSB claiming that: (i) MUSB is entitled to the Compensation Sum by virtue of the MUSB JVA; and (ii) a declaration

FURTHER INFORMATION (Cont'd)

that the MUSB JVA is continuing and for general damages in the event the MUSB JVA is held to be terminated by Court.

The Company's solicitors have opined that CDMSB has a good prospect of success in this matter as MUSB had failed to fulfil the conditions precedent of the MUSB JVA within the stipulated time. The full trial for the matter has been completed and the Court has directed the parties to file their respective written submissions. Due to the MCO imposed by the Government of Malaysia, the matter is now fixed for case management on 27 July 2021 for further directions to be given.

4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitment, incurred or known to be incurred by the CHB Group, which upon becoming due or enforceable, may have a material impact on the financial position or business of CHB Group.

5. CONTINGENT LIABILITIES

As at the LPD, save as disclosed below, the Board is not aware of any contingent liabilities, incurred or known to be incurred by CHB Group, which upon becoming enforceable, may have a material impact on the financial position or business of the CHB Group:

	Group RM'000
Corporate guarantees issued for credit facilities granted by supplier of CHB	1,300

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at No. 2-1, Jalan Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia during normal business hours from Monday to Friday (except on public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) Constitution of CHB;
- (ii) Audited consolidated financial statements of CHB for the FYE 2018, FYE 2019 and FYE 2020 as well as the unaudited quarterly report on consolidated results for FPE 31 March 2021;
- (iii) Letters of consent and declarations of conflict of interest referred to in Section 2 of this Appendix;
- (iv) Debt Settlement Agreement; and
- (v) The relevant cause paper for the material litigation referred to in Section 3 of this Appendix.

FURTHER INFORMATION *(Cont'd)*

In view of the imposition of Enhanced Movement Control Order in most parts of Kuala Lumpur and Selangor from 3 July 2021 to 16 July 2021 by the Malaysian Government, please contact the registered office at 03-6201120 or by email to ir.compugates@shareworks.com.my to make an appointment should you wish to inspect the aforesaid documents.

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COMPUGATES®

COMPUGATES HOLDINGS BERHAD

(Registration No. 200401030779 (669287-H)
(Incorporated in Malaysia under the Companies Act 2016)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**Meeting**" or "**EGM**") of Compugates Holdings Berhad ("**CHB**" or "**Company**") will be held and conducted on a fully virtual basis through live streaming and online remote voting by using Remote Participation and Voting ("**RPV**") 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 Thursday, 22 July 2021 at 2.00 p.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing the following resolution with or without modifications:

ORDINARY RESOLUTION

PROPOSED SETTLEMENT OF DEBTS OWING TO SEE THOO CHAN (EXECUTIVE DIRECTOR AND SUBSTANTIAL SHAREHOLDER OF COMPUGATES HOLDINGS BERHAD ("CHB")) AND GOH KHENG PEOW (CHIEF EXECUTIVE OFFICER AND SUBSTANTIAL SHAREHOLDER OF CHB) (COLLECTIVELY REFERRED TO AS "CREDITORS") AMOUNTING TO RM14,121,704.17 AS AT 23 FEBRUARY 2021 (SUBJECT TO PROOF OF DEBT) VIA THE ISSUANCE OF UP TO 763,335,360 NEW ORDINARY SHARES IN CHB ("CHB SHARES"), REPRESENTING APPROXIMATELY 24.9% OF THE EXISTING ISSUED CHB SHARES AT AN ISSUE PRICE OF RM0.0185 EACH ("PROPOSED DEBT SETTLEMENT")

"**THAT** subject to all the approvals and consents being obtained from all relevant authorities and/or parties (where applicable), including but not limited to the approval by Bursa Malaysia Securities Berhad for the listing of and quotation for up to 763,335,360 new CHB Shares, representing approximately 24.9% of the existing issued CHB Shares at an issue price of RM0.0185 each, the Board of Directors of the Company ("**Board**") be and is hereby authorised to allot and issue up to 763,335,360 new CHB Shares ("**Settlement Shares**"), representing approximately 24.9% of the existing issued CHB Shares at an issue price of RM0.0185 each in the manner and subject to the terms and conditions contained in the debt settlement agreement dated 23 February 2021 entered into between the Creditors, CHB, Compugates Sdn Bhd and Compugates Marketing Sdn Bhd ("**Debt Settlement Agreement**").

THAT the Settlement Shares to be issued to the Creditors, shall upon allotment and issuance, rank equally in all respects with the then existing ordinary shares in CHB, save and except that the Settlement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the Settlement Shares.

AND THAT the Board be and is hereby authorised to approve, sign and execute all documents and to do all such acts, deeds and things as the Board may consider necessary or expedient to implement, finalise and give full effect to the Proposed Debt Settlement and the Debt Settlement Agreement in the best interest of the Company 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, the relevant and applicable laws or deemed necessary or desirable by the Board."

BY ORDER OF THE BOARD

CHEN WEE SAM (LS 0009709) (SSM PC No. 202008002853)

HEW CHEE HAU (MIA 21967) (SSM PC No. 201908001291)

Company Secretaries

Kuala Lumpur

5 July 2021

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 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 RPV 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-2021.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, 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>

Please refer to the Annexure to the Form of Proxy for further information on electronic submission.

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 15 July 2021, shall be eligible to attend, speak and vote at the Meeting or appoint proxy(ies)/corporate representative(s)/attorney(s) to attend, speak 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, all resolution set out in this Notice will be put to vote by way of poll.

COMPUGATES®

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)
(Incorporated in Malaysia under the Companies Act 2016)

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 by using Remote Participation and Voting ("RPV") 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 Thursday, 22 July 2021 at 2.00 p.m and at any adjournment thereof.

ORDINARY RESOLUTION		For	Against
1.	Proposed Debt Settlement		

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.....2021

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 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 RPV 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-2021.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, 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>.

Please refer to the Annexure to the Form of Proxy for further information on electronic submission.

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 15 July 2021, shall be eligible to attend, speak and vote at the Meeting or appoint proxy(ies)/corporate representative(s)/attorney(s) to attend, speak 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, all resolution set out in this Notice will be put to vote by way of poll.

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

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COMPUGATES®

COMPUGATES HOLDINGS BERHAD

(Registration No. 200401030779 (669287-H)
(Incorporated in Malaysia under the Companies Act 2016)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**Meeting**” or “**EGM**”) of Compugates Holdings Berhad (“**CHB**” or “**Company**”) will be held and conducted on a fully virtual basis through live streaming and online remote voting by using Remote Participation and Voting (“**RPV**”) 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 Thursday, 22 July 2021 at 2.00 p.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing the following resolution with or without modifications:

ORDINARY RESOLUTION

PROPOSED SETTLEMENT OF DEBTS OWING TO SEE THOO CHAN (EXECUTIVE DIRECTOR AND SUBSTANTIAL SHAREHOLDER OF COMPUGATES HOLDINGS BERHAD (“CHB”)) AND GOH KHENG PEOW (CHIEF EXECUTIVE OFFICER AND SUBSTANTIAL SHAREHOLDER OF CHB) (COLLECTIVELY REFERRED TO AS “CREDITORS”) AMOUNTING TO RM14,121,704.17 AS AT 23 FEBRUARY 2021 (SUBJECT TO PROOF OF DEBT) VIA THE ISSUANCE OF UP TO 763,335,360 NEW ORDINARY SHARES IN CHB (“CHB SHARES”), REPRESENTING APPROXIMATELY 24.9% OF THE EXISTING ISSUED CHB SHARES AT AN ISSUE PRICE OF RM0.0185 EACH (“PROPOSED DEBT SETTLEMENT”)

“**THAT** subject to all the approvals and consents being obtained from all relevant authorities and/or parties (where applicable), including but not limited to the approval by Bursa Malaysia Securities Berhad for the listing of and quotation for up to 763,335,360 new CHB Shares, representing approximately 24.9% of the existing issued CHB Shares at an issue price of RM0.0185 each, the Board of Directors of the Company (“**Board**”) be and is hereby authorised to allot and issue up to 763,335,360 new CHB Shares (“**Settlement Shares**”), representing approximately 24.9% of the existing issued CHB Shares at an issue price of RM0.0185 each in the manner and subject to the terms and conditions contained in the debt settlement agreement dated 23 February 2021 entered into between the Creditors, CHB, Compugates Sdn Bhd and Compugates Marketing Sdn Bhd (“**Debt Settlement Agreement**”).

THAT the Settlement Shares to be issued to the Creditors, shall upon allotment and issuance, rank equally in all respects with the then existing ordinary shares in CHB, save and except that the Settlement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the Settlement Shares.

AND THAT the Board be and is hereby authorised to approve, sign and execute all documents and to do all such acts, deeds and things as the Board may consider necessary or expedient to implement, finalise and give full effect to the Proposed Debt Settlement and the Debt Settlement Agreement in the best interest of the Company 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, the relevant and applicable laws or deemed necessary or desirable by the Board.”

BY ORDER OF THE BOARD

CHEN WEE SAM (LS 0009709) (SSM PC No. 202008002853)

HEW CHEE HAU (MIA 21967) (SSM PC No. 201908001291)

Company Secretaries

Kuala Lumpur

5 July 2021

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 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 RPV 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-2021.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, 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>.

Please refer to the Annexure to the Form of Proxy for further information on electronic submission.

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 15 July 2021, shall be eligible to attend, speak and vote at the Meeting or appoint proxy(ies)/corporate representative(s)/attorney(s) to attend, speak 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, all resolution set out in this Notice will be put to vote by way of poll.

COMPUGATES®

COMPUGATES HOLDINGS BERHAD

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

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

Day, Date and Time : Thursday, 22 July 2021 at 2.00 p.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

PRECAUTIONARY MEASURES AGAINST THE CORONAVIRUS DISEASE (“COVID-19”)

- In line with the imposition of ‘total lockdown’ from 1 June 2021 to 2 July 2021 (Phase 1 of Movement Control under the National Recovery Plan) (“FMCO”) and Enhanced Movement Control Order in most parts of Kuala Lumpur and Selangor from 3 July 2021 to 16 July 2021 by the Malaysian Government, and the latest revised Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by Securities Commission Malaysia on 1 June 2021 (“SC’s Guidance”) which required the listed issuers to only conduct fully virtual general meeting during FMCO, the Company will conduct its EGM on an online meeting platform via TIIH Online website at <https://tiih.online> provided by Tricor. This fully virtual EGM through live streaming and online remote voting via the Remote Participation and Voting (“RPV”) facilities will allow the members or proxy(ies)/corporate representative(s)/attorney(s) to exercise their rights remotely.
- Pursuant to the SC’s Guidance, all meeting participants including the Chairperson of the Meeting, members of Board of Directors (“Board”), senior management and shareholders must participate in the Meeting online. Physical gatherings no matter how small are prohibited. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of Companies Act 2016 if the online platform is located in Malaysia.
- We **strongly encourage** you to attend the EGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the EGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check the latest updates at the Company’s website at www.compugates.com or announcements on Bursa Malaysia Berhad’s website at www.bursamalaysia.com.
- The Company will continue to observe the guidelines issued by the Ministry of Health, Malaysian National Security Council, Securities Commission Malaysia and other relevant authorities, and will take all relevant precautionary measures as advised.

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 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:

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)

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

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 Monday, 5 July 2021 at 2.00 p.m. until the day of EGM on Thursday, 22 July 2021. 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 EGM 2021.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 15 July 2021, the system will send you an e-mail after 20 July 2021 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>

On the EGM Day

Procedure	Action
i. Login to TIIH Online	<ul style="list-style-type: none">Login with your user ID and password for remote participation at the EGM at any time from 1.30 p.m. i.e. 30 minutes before the commencement of Meeting at 2.00 p.m. on Thursday, 22 July 2021.
ii. Participate through Live Streaming	<ul style="list-style-type: none">Select the corporate event: (Live Stream Meeting) COMPUGATES EGM 2021 to engage in the proceedings of the EGM remotely. <p>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.</p>
iii. Online remote voting	<ul style="list-style-type: none">Voting session commences from 2.00 p.m. on Thursday, 22 July 2021 until a time when the Chairman announces the end of the session.Select the corporate event: (Remote Voting) COMPUGATES EGM 2021 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 resolution 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.

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)

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

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 TIIH 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 5 July 2021, only members whose names appear on the Record of Depositors on 15 July 2021 shall be eligible to attend, participate and vote at the EGM or appoint a proxy(ies)/corporate representative(s)/attorney(s) to attend, participate and vote on his/her 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 5 July 2021.
- The appointment of a proxy may be made in hard copy form or by electronic form in the following manner and the Revised 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 **Tuesday, 20 July 2021 at 2.00 p.m.:**

(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

(ii) By electronic form:

All members can have the option to submit proxy forms 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 5 July 2021 by the Company, login with your user name (i.e. email address) and password.• Select the corporate event: COMPUGATES EGM 2021 - “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(s) to vote on your behalf.• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.• Review and confirm your proxy(s) appointment.• Print the form of proxy for your record.

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)

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

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.online▪ Under 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 EGM 2021 - “Submission of Proxy Form”.▪ Agree to the Terms & Conditions and Declaration.▪ Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein.▪ Prepare the file for the appointment of proxies by inserting the required data.▪ Proceed to upload the duly completed proxy appointment file.▪ Select “Submit” to complete your submission.▪ Print the confirmation report of your submission for your record.

Revocation of Proxy

- Any shareholder 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 2.00 p.m. on 20 July 2021**.
- 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/proxies/corporate representatives/attorneys can proceed to vote on the resolution at any time from 2.00 p.m. on Thursday, 22 July 2021 but before 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 Scrutineers will verify the poll results followed by the Chairman’s declaration whether the resolution is 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 Tuesday, 20 July 2021. The Board will endeavor to address the questions received at the EGM.

COMPUGATES HOLDINGS BERHAD

Registration No. 200401030779 (669287-H)

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

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

**ELECTRONIC SUBMISSION OF PROXY FORM
VIA TIIH ONLINE**

Dear shareholders,

We are pleased to inform that you as a shareholder can have the option to submit your proxy forms by electronic means through our system, TIIH Online (“e-Proxy”).

TIIH Online is an application that provides an online platform for shareholders (*individuals only*) to submit document/form electronically which includes proxy form in paperless form (“e-Submission”). Once you have successfully submitted your e-proxy form, you are no longer required to complete and submit the physical proxy form to the company or Tricor office.

To assist you on how to engage with e-Proxy, kindly read and follow the guidance notes which are detailed below:

1. Sign up as user of TIIH Online



Using your computer, access our website at <https://tiih.online>



Sign up as a user by completing the registration form, registration is free



Upload a softcopy of your MyKad (front and back) or your passport



Administrator will approve your registration within one working day and notify you via email



Activate your account by re-setting your password

- Notes:**
- (i) *If you are already a user of TIIH Online, you are not required to sign up again*
 - (ii) *An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account*
 - (iii) *At this juncture, only individual security holders are offered to register as user and participate in e-Proxy*

2. Proceed with submission of e-Proxy



After the release of the Notice of Meeting by the Company, login with your user name (i.e. e-mail address) and password



Select the corporate event: “**Submission of Proxy Form**”



Read and agree to the Terms & Conditions and confirm the Declaration



Select/insert the CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf



Appoint your proxy(s) or chairman and insert the required details of your proxy(s)



Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote



Review & confirm your proxy(s) appointment



Print e-proxy for your record

Should you need assistance on our e-Submission, please contact us. Thank you.

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

Telephone No: 03-27839299
Fax No: 03-27839222
E-mail: is.enquiry@my.tricorglobal.com