

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with Malaysian Financial Reporting Standards (“MFRSs”), International Financing Reporting Standard (“IFRSs”) and the requirement of the Companies Act, 2016 in Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

2. Changes in Accounting Policies

The accounting policies adopted in these interim financial report are consistent with the audited consolidated financial statements for the financial year ended 31 December 2020.

The Group and the Company adopted the amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2020.

The initial application of the amendments/improvement to standards did not have a material impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied early the following MFRS that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group and the Company:

Amendment to MFRS effective 1 June 2020:

Amendments to MFRS 16*# Covid-19 Related Rent Concession

MFRS effective 1 January 2021:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4*# and MFRS 16*#
Interest Rate Benchmark Reform – Phase 2

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

Standards issued but not yet effective (cont'd)

Amendments to MFRS effective 1 January 2022:

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020 (MFRS 1, 9, 16*# and 141*)	

MFRS and amendments to MFRS effective 1 January 2023:

Amendments to MFRS 4*	Insurance Contracts- Extension of the Temporary Exemption from Applying MFRS 9
MFRS 17* and amendments to MFRS 17*	Insurance Contracts and Amendments to MFRS 17 Insurance Contract
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Accounting Estimated

Amendments to MFRSs - effective date deferred indefinitely:

Amendments to MFRS 10 and 128*#	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company's operation

Not applicable to the Group's operations

The Group and the Company intend to adopt these new and amended standards, if applicable, when they become effective. The initial application of the above standards and amendments are not expected to have any material financial impact to the financial statements of the Group and the Company.

3. Status of Audit Opinions

The auditors' report on the financial statements for the financial year ended 31 December 2020 was not subject to any qualification.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

4. Items of Unusual Nature and Amount

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter under review and financial year-to-date.

5. Seasonal or Cyclical Factors

The demand for certain imaging and information technology products are seasonal in nature and the sales of these products are usually higher towards the end of the financial year due to festive seasons.

6. Nature and Amount of Changes in Estimates

There were no changes in the estimates of amounts reported in the prior interim period of the current financial year or changes in the estimates of amounts reported in the prior financial years that have a material effect in current quarter under review and financial year-to-date.

7. Debt and Equity Securities

There were no issuances, repurchases or repayments of debt and equity securities during the current quarter under review and financial year-to-date.

8. Dividends Paid

There were no dividends paid during the current quarter under review and financial year-to-date.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

9. Segmental Information (Analysis by business nature of the Group Results)

	Current Year Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Period Ended
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
SEGMENT REVENUE				
Trading & Service	1,655	569	1,655	569
Agriculture & Energy	2	-	2	-
Property	-	-	-	-
	1,657	569	1,657	569
Inter-segment sales	-	-	-	-
TOTAL	1,657	569	1,657	569
	Current Year Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Period Ended
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
SEGMENT RESULTS				
Trading & Service	(1,765)	(750)	(1,765)	(750)
Agriculture & Energy	(713)	(699)	(713)	(699)
Property	-	-	-	-
	(2,478)	(1,449)	(2,478)	(1,449)

The Group registered revenue of approximately RM1.7 million for the quarter ended 31 March 2021, which was approximately RM1.1 million higher as compared to the preceding year corresponding quarter ended 31 March 2020 of approximately RM0.6 million. The higher revenue was mainly due to an increase in the trading of IT hardware and consumable products.

10. Changes in Contingent Liabilities and Contingent Assets

There were no changes in the contingent liabilities and assets of the Group since the last audited date of the statement of financial position.

11. Significant Related Party Transactions

There were no recurrent related party transactions ("RRPT") enter during the current quarter under review and financial year-to-date.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

12. Effect of Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

13. Significant Subsequent Events

The Board of Directors of Compugates announced that CDMSB, a 70% owned subsidiary of Compugates, has on 16 April 2021 received the formal court order that the High Court awarded further compensation in a sum of RM692,440.00 as additional compensation from the land administrator to CDMSB.

14. Capital Commitment

The Group has no capital commitment as of 31 March 2021.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. Detailed Performance Analysis

	Individual Period (1st quarter)				Cumulative Period			
	Current Year Quarter	Preceding Year Correspond- ing Quarter	Changes		Current Year To Date	Preceding Year Correspond- ing Period	Changes	
	31 Mar 2021	31 Mar 2020	RM	%	31 Mar 2021	31 Mar 2020	RM	%
Revenue	1,657	569	1,088	191	1,657	569	1,088	191
Operating Losses	(2,426)	(1,372)	(1,054)	77	(2,426)	(1,372)	(1,054)	77
Loss Before Interest & Tax	(2,426)	(1,372)	(1,054)	77	(2,426)	(1,372)	(1,054)	77
Loss Before Tax	(2,491)	(1,462)	(1,029)	70	(2,491)	(1,462)	(1,029)	70
Loss After tax	(2,478)	(1,449)	(1,029)	71	(2,478)	(1,449)	(1,029)	71
Loss attributable to ordinary equity holder of the parent	(2,458)	(1,404)	(1,054)	75	(2,458)	(1,404)	(1,054)	75

The Group registered revenue of approximately RM1.7 million for the current quarter ended 31 March 2021, which was approximately RM1.1 million higher as compared to the preceding year corresponding quarter ended 31 March 2020 of approximately RM0.6 million. The revenue increase was due to a spike in demand for the IT hardware products and related consumable cartridge.

The Group recorded a loss before taxation (“LBT”) during the current quarter ended 31 March 2021 of approximately RM2.5 million which was approximately RM1.0 million higher as compared to the preceding year corresponding quarter ended 31 March 2020 of approximately RM1.5 million. The higher LBT was mainly due to the provision of finance cost of approximately RM1.2 million. In tandem with a higher revenue, this is further offset by an increase in gross profit of approximately RM0.1 million.

The Group recorded a loss after taxation (“LAT”) during the current quarter ended 31 March 2021 of approximately RM2.5 million which was approximately RM1.0 million higher as compared to the preceding year corresponding quarter ended 31 March 2020 of approximately RM1.4 million. The underlying factors for higher LAT are similar to the explanation mentioned above for LBT.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

15. Detailed Performance Analysis (cont'd)

	Current Quarter	Immediate Preceding Quarter	Changes	
			RM	%
	31 Mar 2021	31 Dec 2020		
Revenue	1,657	1,247	410	32.9
Operating Losses	(2,426)	(3,840)	1,414	(36.8)
Loss Before Interest & Tax	(2,426)	(3,840)	1,414	(36.8)
Loss Before Tax	(2,491)	(3,944)	1,453	(36.8)
Loss After tax	(2,478)	(3,931)	1,453	(36.9)
Loss attributable to ordinary equity holder of the parent	(2,458)	(3,886)	1,428	(36.7)

The Group registered revenue of approximately RM1.7 million for the quarter ended 31 March 2021 which was approximately RM0.5 million higher as compared to the immediate preceding quarter ended 31 December 2020 of approximately RM1.2 million. The higher revenue was mainly due to an adaptation in its revised operational strategy in the trading and services segment.

The Group recorded a loss before taxation ("LBT") of approximately RM2.5 million for the quarter ended 31 March 2021, which was approximately RM1.5 million lower as compared to the immediate preceding quarter ended 31 December 2020 of approximately RM3.9 million. The lower loss was mainly due to an absence of the year end accrual or provision amounting to approximately RM2.4 million recorded during the immediate preceding quarter and offset by the accrual of finance cost of approximately of RM 1.2 million in the current quarter.

The Group recorded LAT of approximately RM2.5 million for the quarter ended 31 March 2020, which was approximately lower by RM1.5 million as compared to the immediate preceding quarter ended 31 December 2020 of approximately RM1.5 million. The factors leading to lower LAT for the current quarter are identical to those factors mentioned above.

16. Current Year Prospect

The Board is of the view that, barring any unforeseen circumstances, the trading and distribution business is expected to remain very challenging given the competitive market environment. To bolster the effects, the Company is expanding the market reach to consumers via the e-commerce platform by selling multiple brand products online.

Meanwhile, the Company will continuously develop the markets for other business activities that have been identified namely the Gaharu and joint development of land.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

17. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes on the variance of actual profit and forecast profit and on shortfall in profit guarantee are not applicable.

18. Tax Expense

	Current Year Quarter Ended 31 Mar 2021 RM'000	Corresponding Quarter Ended 31 Mar 2020 RM'000	Current Year To Date 31 Mar 2021 RM'000	Corresponding Period Ended 31 Mar 2020 RM'000
Current tax expense:				
- for the quarter	-	-	-	-
Deferred taxation				
- Origination and reversal of temporary differences	<u>(13)</u>	<u>(13)</u>	<u>(13)</u>	<u>(13)</u>
	<u>(13)</u>	<u>(13)</u>	<u>(13)</u>	<u>(13)</u>

The Group's recognised tax expense despite loss before taxation mainly due to certain expenses being disallowed for taxation purposes, and losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

19. Status of Corporate Proposals

On 16 March 2021, the Board of Directors of Compugates announced that the Private Placement of up to 20% of the issued shares is deemed completed with the listing of a total of 494,752,500 Placement Shares on the Main Market of Bursa Malaysia Securities Berhad.

On 22 April 2021, the Board of Directors of Compugates announced that the listing application for the Proposed Debt Settlement has been submitted to Bursa Malaysia Securities Berhad.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

20. Utilisation of proceed

Private Placement proposed of up to 20% of the issued shares in Compugates Holdings Berhad (“CHB Shares”), involving up to 514,852,700 new CHB Shares approved on 10 September 2020.

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	Purposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance
Repayment to Creditors and Purchases	4,032	3,351	681
Business working capital			
- Staff & Directors Related Expenses	5,722	2,866	2,856
- Sundry Expenses	2,145	538	1,606
Estimate PP expenses (M&A, Lawyer, Co Sec)	200	86	114
	12,099	6,842	5,257

21. Borrowings and Debt Securities

The Group’s borrowings denominated in RM are as follows:

	As at 31 Mar 2021 RM'000	As at 31 Dec 2020 RM'000
Long and Short term borrowings – secured		
- Loans from director and CEO / bank	4,276	4,542

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

22. Realised and Unrealised (Losses)/Profit Disclosure

	As at 31 Mar 2021 RM'000	As at 31 Dec 2020 RM'000
Total accumulated losses of Compugates Holdings Berhad and subsidiaries:		
Realised	(93,872)	(92,132)
Unrealised	94,354	94,346
	<u>482</u>	<u>2,214</u>
Less: Consolidation adjustments	12,494	12,662
Total retained earnings	<u>12,976</u>	<u>14,876</u>

23. Material Litigation

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. The case management for the objection is on 19 December 2019.

On 26 March 2019, CDMSB filed an originating summons against MUSB at the Shah Alam High Court for a declaration that CDMSB is entitled to the full Compensation Sum and for the entire Compensation Sum to be released to CDMSB. The matter has been fixed for case management on 16 May 2019. The Company’s solicitors have opined that CDMSB has a good chance on its entitlement to the Compensation Sum.

In the meantime, CDMSB has on 8 May 2019 served a notice on MUSB to formally terminate the MUSB JVA as MUSB has failed to comply with the terms of the MUSB JVA as MUSB is insisting that though it failed to comply with the conditions precedent, the MUSB JVA is still on-going.

The CDMSB's originating summons against Main Uptown Sdn Bhd in Shah Alam High Court has been converted to a writ by order of the court and a writ of claims has been filed on 31 October 2019.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

23. Material Litigation (con't)

The full trial has been completed and matter is fixed for the parties to file their respective written submission and the clarification/decision is fixed on 27 July 2021.

In any event, the forfeiture of the RM3.0 million deposits due to the non-compliance of the JVA is not reflected in the financial statements until the disposal of the case above.

24. Dividend

The Board of Directors does not recommend any dividend for the quarter ended 31 March 2021.

25. Other Matters

There were no other matters entered during the current quarter under review and financial year-to-date.

26. Profit / (Loss) per Share

The profit / (loss) per share is calculated by dividing the Group's loss attributable to equity holders of the parent for the financial period over the number of ordinary shares in issue during the financial period as follows:-

	Current Year Quarter Ended 31 Mar 2021	Corresponding Quarter Ended 31 Mar 2020	Current Year To Date 31 Mar 2021	Corresponding Period Ended 31 Mar 2020
Profit / (loss) attributable to equity holders of parent (RM'000)	(2,458)	(1,404)	(2,458)	(1,404)
Number of ordinary shares in issue ('000) (FY2016:RM0.10) each	2,847,503	2,478,046	2,847,503	2,478,046
Basic profit / (loss) per share (sen)	(0.09)	(0.06)	(0.09)	(0.06)

The diluted profit / (loss) per share is equivalent to basic profit / (loss) per share as there were no potential ordinary shares outstanding which are dilutive in nature at the end of reporting period.

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

27. Loss before taxation

Loss before taxation includes the following items:-

	Current Year Quarter Ended 31 Mar 2021 RM'000	Corresponding Quarter Ended 31 Mar 2020 RM'000	Current Year To Date 31 Mar 2021 RM'000	Corresponding Period Ended 31 Mar 2020 RM'000
Bad debts written off	-	-	-	-
Depreciation of property and equipment	74	74	74	74
(Gain)/Loss Disposal of PPE	-	-	-	-
Inventories written off	-	-	-	-
Impairment loss on:				
- trade receivables	-	9	-	9
- other receivables	-	-	-	-
Gain on disposal of available-for-sale investments	-	-	-	-
Unrealised gain on foreign exchange	*	*	*	*
Realised gain on foreign exchange	-	-	-	-
Write-back of impairment loss on trade receivables	-	-	-	-
Interest expense	1,488	89	1488	89
Interest income	(3)	*	(3)	*

Save as disclosed above, the other items as required under Appendix 9B Part A (1B) of the Main Market Listing Requirements of Bursa Securities are not applicable.

Note:

* *Less than RM500*

Compugates Holdings Berhad
Company No. 200401030779 (669287 - H)
(Incorporated in Malaysia)

28. Authorisation

This interim financial report for the financial period ended 31 March 2021 has been seen and approved by the Board of Directors of Compugates Holdings Berhad on 28 May 2021 for release to the Bursa Securities.

By Order of the Board
Chen Wee Sam
Hew Chee Hau
Company Secretaries

Date: 28 May 2021