

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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 MFRSs – Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. 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 2019.

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 2019, except for the adoption of the following MFRSs and Amendments to MFRSs, if applicable during the current financial year:

Effective for annual periods beginning on or after 1 January 2019.

- MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- MFRS 16 Leases
- MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- MFRS 119 Plan Amendment, Curtailment or settlement (Amendments to MFRS 119)

Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective, and have not been early adopted by the Group and the Company.

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Standards issued but not yet effective (cont'd)

Amendments to MFRSs and Amendments to References to the Conceptual Framework on MFRS Standards effective 1 January 2020:-

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to References to the Conceptual Framework on MFRS Standards (MFRS 2*#, 3, 6*#, 14*# 101, 108, 134*#, 137, 138*# and IC Interpretation 12*#, 19*#, 20*, 22*#, 132*#)	

MFRS effective 1 January 2021:

MFRS 17*#	Insurance Contracts
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Amendments to MFRSs (deferred effective date to be announced by the MASB):

MFRS 10* and MFRS 128*#	Consolidated Financial Statements and Investment in Associate and Joint Venture: 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 initial application of the above standards, amendments/improvement to standards are not expected to have any significant financial impacts to the financial statements, except for:

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statements of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that material operating leases, the assets and the liabilities reported on the statements of financial position are expected to increase substantially.

The initial application of the above standards, amendments/improvement to standards are not expected to have any significant financial impacts to the financial statements, except for (cont'd):-

MFRS 16 Leases

MFRS 16 also:

- Changes the definition of a lease;
- Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- Changes the account for sale and leaseback arrangements;
- Largely retains MFRS 117's approach to lessor accounting; and

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- Introduces new disclosure requirements.

Standards issued but not yet effective (cont'd)

The Group plans to adopt the new standard on the required effective date. The initial application of the above standard is not expected to have any material financial impact to the financial statements.

3. Status of Audit Opinions

The auditors' report on the financial statements for the financial year ended 31 December 2019 was not subject to any qualification.

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.

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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 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
SEGMENT REVENUE				
Trading & Service	1,244	449	4,320	4,583
Agriculture & Energy	3	1	51	7
Property	-	-	-	-
	1,247	450	4,371	4,590
Inter-segment sales	-	-	-	-
TOTAL	1,247	450	4,371	4,590
	Current Year Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Period Ended
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
SEGMENT RESULTS				
Trading & Service	(2,858)	(2,493)	(4,715)	(5,231)
Agriculture & Energy	(1,073)	(1,279)	(3,117)	(3,053)
Property	-	-	-	-
	(3,931)	(3,772)	(7,832)	(8,284)

The Group registered revenue of approximately RM1.2 million for the quarter ended 31 December 2020, which was approximately RM0.8 million higher as compared to the preceding year corresponding quarter ended 31 December 2019 of approximately RM0.5 million. The higher revenue was mainly due to the increased from 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.

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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.

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

On 24 February 2021, the Board of Directors of Compugates announced that the Company proposes to undertake a proposed settlement of debt owing to See Thoo Chan (Executive Director and major shareholder of Compugates Holdings Berhad) and Goh Kheng Peow (Chief Executive Officer and major shareholder of Compugates Holdings Berhad), via the issuance of up to 763,335,360 new ordinary shares in Compugates Holdings Berhad at the issue price of RM0.0185 per Settlement Share.

14. Capital Commitment

The Group has no capital commitment as of 31 December 2020.

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

15. Detailed Performance Analysis

	Individual Period (4th quarter)				Cumulative Period			
	Current Year Quarter	Preceding Year Correspond- ing Quarter	Changes		Current Year To Date	Preceding Year Correspond- ing Period	Changes	
	31 Dec 2020	31 Dec 2019	RM	%	31 Dec 2020	31 Dec 2019	RM	%
Revenue	1,247	450	797	177	4,371	4,590	(219)	4.8
Operating Losses	(3,840)	(4,140)	300	7.2	(7,616)	(8,616)	1,000	11.6
Loss Before Interest & Tax	(3,840)	(4,140)	300	7.2	(7,616)	(8,616)	1,000	11.6
Loss Before Tax	(3,944)	(4,254)	310	7.3	(7,883)	(8,898)	1,015	11.4
Loss After tax	(3,931)	(3,772)	(159)	4.2	(7,832)	(8,284)	452	5.5
Loss attributable to ordinary equity holder of the parent	(3,886)	(3,864)	(22)	0.6	(7,651)	(8,221)	570	6.9

The Group registered revenue of approximately RM1.2 million for the current quarter ended 31 December 2020, which was approximately RM0.8 million higher as compared to the preceding year corresponding quarter ended 31 December 2019 of approximately RM0.5 million. The revenue increase was due to a hike in demand of IT hardware and consumable following the outbreak of the Covid-19 pandemic.

The Group recorded a loss before taxation (“LBT”) during the current quarter ended 31 December 2020 of approximately RM3.9 million which was approximately RM0.3 million lower as compared to the preceding year corresponding quarter ended 31 December 2019 of approximately RM4.3 million. The lower LBT was mainly due to a lower provision of director fees and remuneration of approximately RM1.1 million and an offset in the absence of provision reversal and decrease in other income amounting to approximately RM 0.8 million.

The Group recorded a loss after taxation (“LAT”) during the current quarter ended 31 December 2020 of approximately RM3.9 million which was approximately RM0.2 million higher as compared to the preceding year corresponding quarter ended 31 December 2019 of approximately RM3.8 million. The underlying factors for the higher LAT was due to the absence of a reversal of provision for company tax of approximately RM 0.6 million.

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15. Detailed Performance Analysis (cont'd)

The Group registered revenue of approximately RM4.4 million for the current year to date ended 31 December 2020, which was approximately RM0.2 million lower as compared to the preceding year to date ended 31 December 2019 of approximately RM4.6 million. This was mainly due to the market shortage of the IT hardware products to fulfil the spike in demand in view of Movement Control Order imposed.

The Group recorded a loss before taxation ("LBT") during the current year to date ended 31 December 2020 of approximately RM7.9 million which was approximately RM1.0 million lower as compared to the preceding year to date ended 31 December 2019 of approximately RM8.9 million. The lower LBT was mainly attributed by cost saving in administrative expenses of approximately RM1.1 million.

The Group recorded a loss after taxation ("LAT") during the current year to date ended 31 December 2020 of approximately RM7.8 million which was approximately RM0.5 million lower as compared to the preceding year to date ended 31 December 2019 of approximately RM8.3 million. The underlying factors for lower year to date LAT are similar to the explanation mentioned above for LBT year to date and an offset in the reversal of provision of company tax of approximately RM 0.6 million.

	Current Quarter	Immediate Preceding Quarter	Changes	
			RM	%
	31 Dec 2020	30 Sept 2020		
Revenue	1,247	1,199	48	4.0
Operating Losses	(3,840)	(1,323)	(2,517)	190.2
Loss Before Interest & Tax	(3,840)	(1,323)	(2,517)	190.2
Loss Before Tax	(3,944)	(1,361)	(2,583)	189.8
Loss After tax	(3,931)	(1,349)	(2,582)	191.4
Loss attributable to ordinary equity holder of the parent	(3,886)	(1,301)	(2,585)	198.7

The Group registered revenue of approximately RM1.2 million for the quarter ended 31 December 2020, and maintain relatively consistent with immediate preceding quarter ended 30 September 2020 of approximately RM1.2 million.

The Group recorded a loss before taxation ("LBT") of approximately RM3.9 million for the quarter ended 31 December 2020, which was approximately RM2.6 million higher as compared to the immediate preceding quarter ended 30 September 2020 of approximately RM1.4 million. The higher loss was mainly due to year end accrual amounting to approximately RM2.4 million recorded during the last quarter of the year.

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15. Detailed Performance Analysis (cont'd)

The Group recorded a loss after taxation ("LAT") of approximately RM3.9 million for the quarter ended 31 December 2020, which was approximately higher by RM2.6 million as compared to the immediate preceding quarter ended 30 September 2020 of approximately RM1.3 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. In order 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.

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 Dec 2020 RM'000	Corresponding Quarter Ended 31 Dec 2019 RM'000	Current Year To Date 31 Dec 2020 RM'000	Corresponding Period Ended 31 Dec 2019 RM'000
Current tax expense:				
- for the quarter	-	(563)	-	(563)
Deferred taxation				
- Origination and reversal of temporary differences	(13)	81	(51)	(51)
	<u>(13)</u>	<u>(482)</u>	<u>(51)</u>	<u>(614)</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.

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19. Status of Corporate Proposals

On 26 January 2021, the Board of Directors of Compugates announced that the company has fix the issue price for Tranche 3 of the Placement Shares at RM0.0180 per share to be issued pursuant to the 20% Private Placement exercise.

The aforementioned issue price represents a discount of approximately RM0.0019 or 9.55% from the 5-day weighted average market price of Compugates from 19 January 2021 to 25 January 2021 of approximately RM0.0199 per Share.

On 23 February 2021, the Board of Directors of Compugates announced that the Company has fixed the issue price for Tranche 4 of the Placement Shares at RM0.0185 per share to be issued pursuant to the 20% Private Placement.

The aforementioned issue price represents a discount of approximately RM0.0016 or 7.96% from the 5-day volume weighted average market price of Compugates from 16 February 2021 to 22 February 2021 of approximately RM0.0201 per Share.

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20. Utilisation of proceed

- i. Special Private Placement of up to 25% of the issued shares in Compugates Holdings Berhad ('CHB SHARES'), involving up to 586,929,400 new CHB shares approved on 11 June 2018.

As at 16 July 2020, the Company had issued 226,545,900 Compugates Shares in multiples tranches at an average issue price of RM 0.017 each and raised total proceeds of RM3.90 million which was utilised as follows:

Purpose	Proposed utilisation RM'000	Actual proceeds raised and utilised RM'000	Balance 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	-	

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20. Utilisation of proceed (cont'd)

- ii. 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.

A summary of the actual utilisation as follows:-

Purpose	Purposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance
Repayment to Creditors and Purchases	4,032	1,675	2,357
Business working capital			
- Staff & Directors Related Expenses	5,722	2,413	3,309
- Sundry Expenses	2,145	498	1,647
Estimate PP expenses (M&A, Lawyer, Co Sec)	200	62	138
	12,099	4,649	7,450

21. Borrowings and Debt Securities

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

	As at 31 Dec 2020 RM'000	As at 31 Dec 2019 RM'000
Long and Short term borrowings – secured		
- Loans from director and CEO / bank	4,542	4,534

22. Realised and Unrealised (Losses)/Profit Disclosure

	As at 31 Dec 2020 RM'000	As at 31 Dec 2019 RM'000
Total accumulated losses of Compugates Holdings Berhad and subsidiaries:		
Realised	(92,132)	(79,478)
Unrealised	94,346	94,346
	2,214	14,868
Less: Consolidation adjustments	12,662	7,481
Total retained earnings	14,876	22,349

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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.

In view of the current Movement Control Order, the continuing trial dates has been vacated and moved to 2nd, 8th, 9th, 12th, 13th and 14th April 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 December 2020.

25. Other Matters

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

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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 Dec 2020	Corresponding Quarter Ended 31 Dec 2019	Current Year To Date 31 Dec 2020	Corresponding Period Ended 31 Dec 2019
Profit / (loss) attributable to equity holders of parent (RM'000)	(3,886)	(3,864)	(7,651)	(8,221)
Number of ordinary shares in issue ('000) (FY2016:RM0.10) each	2,576,391	2,405,572	2,576,391	2,405,572
Basic profit / (loss) per share (sen)	(0.15)	(0.16)	(0.30)	(0.34)

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.

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27. Loss before taxation

Loss before taxation includes the following items:-

	Current Year Quarter Ended 31 Dec 2020 RM'000	Corresponding Quarter Ended 31 Dec 2019 RM'000	Current Year To Date 31 Dec 2020 RM'000	Corresponding Period Ended 31 Dec 2019 RM'000
Bad debts written off	-	-	-	3
Depreciation of property and equipment	74	74	295	298
(Gain)/Loss Disposal of PPE	-	-	(14)	-
Inventories written off	-	-	-	-
Impairment loss on:				
- trade receivables	-	18	(9)	43
- other receivables	-	-	-	-
Gain on disposal of available-for-sale investments	-	-	-	-
Unrealised gain on foreign exchange	*	*	*	1
Realised gain on foreign exchange	-	-	-	-
Write-back of impairment loss on trade receivables	-	(1)	-	2
Interest expense	106	113	272	195
Interest income	(1)	(3)	(1)	(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*

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28. Authorisation

This interim financial report for the financial period ended 30 June 2020 has been seen and approved by the Board of Directors of Compugates Holdings Berhad on 26 February 2021 for release to the Bursa Securities.

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

Date: 26th February 2021