

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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

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**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.

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**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)**

	<b>Current Year Quarter Ended</b>	<b>Corresponding Quarter Ended</b>	<b>Current Year To Date</b>	<b>Corresponding Period Ended</b>
	<b>30 Jun 2021 RM'000</b>	<b>30 Jun 2020 RM'000</b>	<b>30 Jun 2021 RM'000</b>	<b>30 Jun 2020 RM'000</b>
<b>SEGMENT REVENUE</b>				
Trading & Service	1,685	1,351	3,339	1,919
Agriculture & Energy	3	6	5	7
Property	-	-	-	-
	<b>1,688</b>	<b>1,357</b>	<b>3,344</b>	<b>1,926</b>
Inter-segment sales	-	-	-	-
<b>TOTAL</b>	<b>1,688</b>	<b>1,357</b>	<b>3,344</b>	<b>1,926</b>
	<b>Current Year Quarter Ended</b>	<b>Corresponding Quarter Ended</b>	<b>Current Year To Date</b>	<b>Corresponding Period Ended</b>
	<b>30 Jun 2021 RM'000</b>	<b>30 Jun 2020 RM'000</b>	<b>30 Jun 2021 RM'000</b>	<b>30 Jun 2020 RM'000</b>
<b>SEGMENT RESULTS</b>				
Trading & Service	(1,152)	(422)	(2,917)	(1,172)
Agriculture & Energy	(748)	(682)	(1,461)	(1,381)
Property	-	-	-	-
	<b>(1,900)</b>	<b>(1,104)</b>	<b>(4,378)</b>	<b>(2,553)</b>

The Group registered revenue of approximately RM1.7 million for the quarter ended 30 June 2021, which was approximately RM0.3 million higher as compared to the preceding year corresponding quarter ended 30 June 2020 of approximately RM1.4 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.

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**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**

There were no significant subsequent events of the Group during the current quarter under review.

**14. Capital Commitment**

The Group has no capital commitment as of 30 June 2021.

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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 (2nd quarter)				Cumulative Period			
	Current Year Quarter	Preceding Year Correspond- ing Quarter	Changes		Current Year To Date	Preceding Year Correspond- ing Period	Changes	
	30 June 2021	30 June 2020	RM	%	30 June 2021	30 June 2020	RM	%
<b>Revenue</b>	1,688	1,357	331	24	3,344	1,926	1,418	74
<b>Operating Losses</b>	(1,912)	(1,082)	(830)	77	(3,118)	(2,453)	(665)	27
<b>Loss Before Interest &amp; Tax</b>	(1,912)	(1,082)	(830)	77	(3,118)	(2,453)	(665)	27
<b>Loss Before Tax</b>	(1,913)	(1,117)	(796)	71	(4,404)	(2,578)	(1,826)	71
<b>Loss After tax</b>	(1,900)	(1,104)	(796)	72	(4,378)	(2,553)	(1,825)	71
<b>Loss attributable to ordinary equity holder of the parent</b>	(1,766)	(1,060)	(706)	67	(4,223)	(2,464)	(1,759)	71

The Group registered revenue of approximately RM1.7 million for the current quarter ended 30 June 2021, which was approximately RM0.3 million higher as compared to the preceding year corresponding quarter ended 30 June 2020 of approximately RM1.4 million. The revenue increase was due to higher demand of IT hardware products and related consumable cartridges from dealers and via the online channel.

The Group recorded a loss before taxation (“LBT”) during the current quarter ended 30 June 2021 of approximately RM1.9 million which was approximately RM0.8 million higher as compared to the preceding year corresponding quarter ended 30 June 2020 of approximately RM1.1 million. The higher LBT was mainly due to increase of administrative cost of approximately RM 0.7million and absence of reversal the provision of stock obsolescence of approximately RM 0.2 million.

The Group recorded a loss after taxation (“LAT”) during the current quarter ended 30 June 2021 of approximately RM1.9 million which was approximately RM0.8 million higher as compared to the preceding year corresponding quarter ended 30 June 2020 of approximately RM1.1 million. The underlying factors for higher LAT are similar to the explanation mentioned above for LBT.

The Group registered revenue of approximately RM3.3 million for the current year to date ended 30 June 2021, which was approximately RM1.4 million higher as compared to the preceding year to date ended 30 June 2020 of approximately RM1.9 million. This was mainly due to an increase in demand for hot selling models during Movement Control Order.

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**15. Detailed Performance Analysis (cont'd)**

The Group recorded a LBT during the current year to date ended 30 June 2021 of approximately RM4.4 million which was approximately RM1.8 million higher as compared to the preceding year to date ended 30 June 2020 of approximately RM2.6 million. The higher LBT was mainly due to an increase in provision for finance cost amounting to approximately RM1.2 million, an increase in administrative cost amounting to approximately RM 0.7million and an absence of reversal for provision of stock obsolescence amounting to approximately RM 0.2 million.

The Group recorded a LAT during the current year to date ended 30 June 2021 of approximately RM4.4 million which was approximately RM1.8 million higher as compared to the preceding year to date ended 30 June 2020 of approximately RM2.6 million. The underlying factors for higher year to date LAT are similar to the explanation mentioned above for year to date LBT.

	Current Quarter	Immediate Preceding Quarter	Changes	
	30 June 2021	31 Mar 2021	RM	%
<b>Revenue</b>	1,688	1,657	31	2
<b>Operating Losses</b>	(1,912)	(2,426)	514	21
<b>Loss Before Interest &amp; Tax</b>	(1,912)	(2,426)	514	21
<b>Loss Before Tax</b>	(1,913)	(2,491)	578	23
<b>Loss After tax</b>	(1,900)	(2,478)	578	23
<b>Loss attributable to ordinary equity holder of the parent</b>	(1,766)	(2,458)	692	28

The Group registered revenue of approximately RM1.7 million for the quarter ended 30 June 2021 has remained relatively consistent with the immediate preceding quarter ended 31 March 2021 of approximately RM1.7 million.

The Group recorded a LBT of approximately RM1.9 million for the quarter ended 30 June 2021, which was approximately RM0.6 million lower as compared to the immediate preceding quarter ended 31 March 2021 of approximately RM2.5 million. The lower LBT was mainly due to an absence of the provision for finance cost amounting to approximately RM 1.2 million and slightly offset by the increase in administrative cost amounting to approximately RM 0.7 million.

The Group recorded LAT of approximately RM1.9 million for the quarter ended 30 June 2021, which was approximately lower by RM0.6 million as compared to the immediate preceding quarter ended 31 March 2021 of approximately RM2.5 million. The factors leading to lower LAT for the current quarter are identical to those factors mentioned above.

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**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.

**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**

	<b>Current Year Quarter Ended 30 Jun 2021 RM'000</b>	<b>Corresponding Quarter Ended 30 Jun 2020 RM'000</b>	<b>Current Year To Date 30 Jun 2021 RM'000</b>	<b>Corresponding Period Ended 30 Jun 2020 RM'000</b>
Current tax expense:				
- for the quarter	-	-	-	-
Deferred taxation				
- Origination and reversal of temporary differences	(13)	(13)	(26)	(26)
	<u>(13)</u>	<u>(13)</u>	<u>(26)</u>	<u>(26)</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 17 June 2021, the Board of Directors of Compugates Holdings Berhad ("Compugates") announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had approved the listing of and quotation for up to 763,335,360 Settlement Shares to be issued pursuant to the Proposed Debt Settlement on the Main Market of Bursa Securities subject to the following conditions:

- (i) Compugates and M&A Securities Sdn Bhd ("M&A Securities") must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Debt Settlement;



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**19. Status of Corporate Proposals (cont'd)**

(ii) Compugates and M&A Securities are required to inform Bursa Securities upon completion of the Proposed Debt Settlement;

(iii) Compugates 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

(iv) Compugates 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.

On 6 August 2021, the Board of Directors of Compugates announced that all conditions precedent set out in the Debt Settlement Agreement have been fulfilled. Accordingly, the Debt Settlement Agreement has become unconditional on 6 August 2021 ("**Unconditional Date**").

On 20 August 2021, the Board of Directors of Compugates announced that the Debt Settlement is completed with the listing and quotation of 750,685,543 Settlement Shares on the Main Market of Bursa Securities on 20 August 2021.

**20. Utilisation of proceed**

Private Placement proposed of up to 20% of the issued shares in Compugates ("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 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
Repayment to Creditors and Purchases	4,032	4,032	0	Within 12 Months
Business working capital				
- Staff & Directors Related Expenses	4,157	3,657	500	Within 12 Months
- Sundry Expenses	784	730	54	Within 12 Months
Estimate for the Private Placement	200	86	114	Within 1 Month
	<b>9,172</b>	<b>8,505</b>	<b>668</b>	

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**21. Borrowings and Debt Securities**

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

	As at 30 Jun 2021 RM'000	As at 31 Dec 2020 RM'000
Long and Short term borrowings – unsecured - Loans from director and CEO / bank	4,276	4,542

**22. Realised and Unrealised (Losses)/Profit Disclosure**

	As at 30 Jun 2021 RM'000	As at 31 Dec 2020 RM'000
Total accumulated losses of Compugates Holdings Berhad and subsidiaries:		
Realised	(95,727)	(92,132)
Unrealised	94,345	94,346
	(1,382)	2,214
Less: Consolidation adjustments	12,628	12,662
Total retained earnings	11,246	14,876

**23. Material Litigation**

Compugates Development Mining and 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. 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

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**23. Material Litigation (Con't)**

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 had on 8 May 2019 served a notice on MUSB to formally terminate the MUSB JVA as MUSB had failed to comply with the terms of the MUSB JVA but MUSB insisted that though it failed to comply with the conditions precedent, the MUSB JVA is still on-going.

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

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 15 September 2021.

In any event, the forfeiture of the RM3.0 million deposits due to the non-compliance of the MUSB 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 30 June 2021.

**25. Other Matters**

On 16 April 2021, 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.

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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:-

	<b>Current Year Quarter Ended 30 Jun 2021</b>	<b>Corresponding Quarter Ended 30 Jun 2020</b>	<b>Current Year To Date 30 Jun 2021</b>	<b>Corresponding Period Ended 30 Jun 2020</b>
Profit / (loss) attributable to equity holders of parent (RM'000)	(1,766)	(1,060)	(4,223)	(2,464)
Number of ordinary shares in issue ('000) (FY2016:RM0.10) each	2,907,449	2,492,455	2,907,449	2,492,455
Basic profit / (loss) per share (sen)	(0.06)	(0.04)	(0.15)	(0.10)

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 30 Jun 2021 RM'000	Corresponding Quarter Ended 30 Jun 2020 RM'000	Current Year To Date 30 Jun 2021 RM'000	Corresponding Period Ended 30 Jun 2020 RM'000
Bad debts written off	-	-	-	-
Depreciation of property and equipment	74	74	147	148
(Gain)/Loss Disposal of PPE	-	-	-	(14)
Inventories written off	-	-	-	-
Impairment loss on:				
- trade receivables	-	-	-	(9)
- other receivables	-	-	-	-
Gain on disposal of available-for-sale investments	-	-	-	-
Unrealised gain on foreign exchange	*	(1)	(1)	(1)
Realised gain on foreign exchange	-	-	-	-
Write-back of impairment loss on trade receivables	-	-	-	-
Interest expense	-	36	1,220	125
Interest income	(11)	*	(14)	*

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 2021 has been reviewed and approved by the Board of Directors of Compugates on 27 August 2021 for release to the Bursa Securities.

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

Date: 27 August 2021