

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

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

	Current Year Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Period Ended
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
SEGMENT REVENUE				
Trading & Service	2,194	1,244	8,975	4,320
Agriculture & Energy	1	3	8	51
Property	-	-	-	-
	2,195	1,247	8,983	4,371
Inter-segment sales	-	-	-	-
TOTAL	2,195	1,247	8,983	4,371
	Current Year Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Period Ended
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
SEGMENT RESULTS				
Trading & Service	(1,301)	(2,374)	(4,310)	(4,023)
Agriculture & Energy	(79)	(865)	(3,021)	(3,117)
Property	-	-	-	-
	(1,380)	(3,239)	(7,331)	(7,140)

The Group registered revenue of approximately RM2.2 million for the quarter ended 31 December 2021, which was approximately RM0.9 million higher as compared to the preceding year corresponding quarter ended 31 December 2020 of approximately RM1.2 million. The higher revenue was mainly contributed by trading and services segment and mainly due to increase of Imaging products, 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

On 14 January 2022, the Board of Directors ("Board") of the Company announced that the Court had on 13 January 2022 granted the following orders in relation to the material litigation case of Compugates Development and Mining Sdn Bhd ("the Plaintiff") vs Main Uptown Sdn Bhd ("MUSB") ("the Defendant").

(a) A declaration that the Plaintiff is entitled to the whole compensation sum awarded amounting to RM9,397,400.00 in respect of the land acquisition of 0.9892 hectares of land held under Title No. H.S. (D) 13828, Lot No. PT 26800 (New Lot No.: 30729), Mukim of Dengkil, District of Sepang, Selangor;

(b) The Plaintiff is entitled to claim the whole compensation sum amounting to RM9,397,400.00 which was ordered to be deposited into Court together with all accruing interest vide Originating Summons No. BA-24NCvC-1363 Year 11/2018 to be released to the Plaintiff;

(c) A declaration that the Joint Venture Agreement dated 18 August 2015 ("Joint Venture Agreement") entered into between the Plaintiff and Main Uptown Sdn Bhd ("the Defendant") is terminated, not valid and binding and with no effect between the Plaintiff and Defendant;

(d) A declaration that the Plaintiff is entitled to forfeit the sum of RM3,000,000.00 from the deposit paid by the Defendant as agreed liquidated damages as agreed based on the terms of the Joint Venture Agreement;

(e) That the Private Caveat No. 54272/2015 entered by the Defendant dated 22 October 2015 on the land held under Title No. H.S. (D) 13828, Lot No. PT 26800, (New Lot No.: 30729), Mukim of Dengkil, District of Sepang, Selangor be removed/cancelled immediately;

(f) That the Registrar of Titles and all relevant authorities be ordered pursuant to Section 417 of the National Land Code 1965 to give the consequence and effect to this order;

(g) That the Plaintiff refund the sum of RM2,000,000.00 to the Defendant from the deposit paid under the Joint Venture Agreement;

(h) That the counter claim dated 6 December 2019 is dismissed; and

(i) Costs of RM30,000.00 to be paid by the Defendant to the Plaintiff

On 4 February 2022, the Board of the Company announced that MUSB had on 28 January 2022 filed an appeal to the Court of Appeal against part of the decision made by High Court of Malaya at Shah Alam on 13 January 2022 and the Defendant had on 31 January 2022 also filed a stay of execution of the decision made dated 13 January 2022 to the High Court of Malaya at Shah Alam until the disposal of their appeal against this decision.

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14. Capital Commitment

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

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 2021	31 Dec 2020	RM	%	31 Dec 2021	31 Dec 2020	RM	%
Revenue	2,195	1,247	948	76.0	8,983	4,371	4,678	107.0
Operating Losses	(1,392)	(3,252)	1,860	57.2	(7,317)	(7,182)	135	1.88
Loss Before Interest & Tax	(1,392)	(3,148)	1,756	55.8	(6,095)	(6,925)	830	11.9
Loss Before Tax	(1,392)	(3,252)	1,860	57.2	(7,382)	(7,191)	(191)	2.7
Loss After tax	(1,380)	(3,239)	1,859	57.4	(7,331)	(7,140)	(191)	2.7
Loss attributable to ordinary equity holder of the parent	(1,337)	(3,402)	2,065	60.7	(6,967)	(7,148)	181	2.5

The Group registered revenue of approximately RM2.2 million for the current quarter ended 31 December 2021, which was approximately RM0.9 million higher as compared to the preceding year corresponding quarter ended 31 December 2020 of approximately RM1.2 million. The revenue for current quarter ended 31 December 2021 increased mainly due to higher demand of imaging products, IT hardware products and related consumable cartridges from reseller in view of the recovery of economic activities with the easing of containment measures.

The Group recorded a loss before taxation (“LBT”) during the current quarter ended 31 December 2021 of approximately RM1.4 million which was approximately RM1.9 million lower as compared to the preceding year corresponding quarter ended 31 December 2020 of approximately RM3.3 million. The lower LBT was mainly due to lower administrative expenses of approximately RM 2.4 million and an offset of a one-off other income of approximately RM 0.6 million.

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15. Detailed Performance Analysis (cont'd)

The Group recorded a loss after taxation ("LAT") during the current quarter ended 31 December 2021 of approximately RM1.4 million which was approximately RM1.9 million lower as compared to the preceding year corresponding quarter ended 31 December 2020 of approximately RM3.2 million. The underlying factors for lower LAT are similar to the explanation mentioned above for LBT.

The Group registered revenue of approximately RM9.0 million for the current year to date ended 31 December 2021, which was approximately RM4.7 million higher as compared to the preceding year to date ended 31 December 2020 of approximately RM4.4 million. The causes of the higher revenue are similar to the explanation mentioned above for the current quarter ended 31 December 2021.

The Group recorded a LBT during the current year to date ended 31 December 2021 of approximately RM7.4 million which was approximately RM0.2 million higher as compared to the preceding year to date ended 31 December 2020 of approximately RM7.2 million. The higher LBT was mainly due to an increase in finance cost amounting to approximately RM1.1 million, decrease in other income amounting to RM0.5 million and an offset of a lower spending on administrative expense amounting to approximately RM 1.3 million.

The Group recorded a LAT during the current year to date ended 31 December 2021 of approximately RM7.3 million which was approximately RM0.2 million higher as compared to the preceding year to date ended 31 December 2020 of approximately RM7.1 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	
	31 Dec 2021	30 Sep 2021	RM	%
Revenue	2,195	3,443	1,248	36.2
Operating Losses	(1,392)	(1,585)	193	12.2
Loss Before Interest & Tax	(1,392)	(1,585)	193	12.2
Loss Before Tax	(1,392)	(1,585)	193	12.2
Loss After tax	(1,380)	(1,573)	193	12.3
Loss attributable to ordinary equity holder of the parent	(1,337)	(1,406)	69	4.9

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15. Detailed Performance Analysis (cont'd)

The Group registered revenue of approximately RM2.2 million for the quarter ended 31 December 2021 which was approximately RM1.2 million lower as compared to the immediate preceding quarter ended 30 September 2021 of approximately RM3.4 million.

The Group recorded a LBT of approximately RM1.4 million for the quarter ended 31 December 2021, which was approximately RM0.2 million lower as compared to the immediate preceding quarter ended 30 September 2021 of approximately RM1.6 million. The lower LBT for current quarter was mainly due to lower spending in administrative expenses amounting to approximately RM 0.3 million.

The Group recorded a LAT of approximately RM1.4 million for the quarter ended 31 December 2021, which was approximately lower by RM0.2 million as compared to the immediate preceding quarter ended 30 September 2021 of approximately RM1.6 million. The factors leading to lower LAT for the current quarter are identical to those factors mentioned above for the current quarter LBT.

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 its sale and marketing channels by merging into e-commerce platforms to sell multiple brand products online.

Currently the Company is primarily focused on ensuring the smooth facilitation of phase 1 of the joint development of land which involves the development of 418 units of houses, 278 units of Rumah Selangorku and other relevant residential infrastructure.

Additionally, the Company's current agarwood plantation spans over 54 acres of land in Kuala Kangsar, Perak, and houses 23,000 agarwood trees. Upon the successful process of inoculation on the 20 agarwood trees, this may provide the Company with a window to further expand its agarwood capacity. The Board opines that such expansion may contribute positively to the future earnings of the Company and thus, improving the financial performance of the Company moving forward.

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.

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18. Tax Expense

	Current Year Quarter Ended 31 Dec 2021 RM'000	Corresponding Quarter Ended 31 Dec 2020 RM'000	Current Year To Date 31 Dec 2021 RM'000	Corresponding Period Ended 31 Dec 2020 RM'000
Current tax expense:				
- for the quarter	-	-	-	-
Deferred taxation				
- Origination and reversal of temporary differences	(13)	(13)	(51)	(51)
	<u>(13)</u>	<u>(13)</u>	<u>(51)</u>	<u>(51)</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 5 January 2022, the Board of the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 4 January 2022, resolved to approve the listing and quotation for up to 763,940,372 Placement Shares to be issued pursuant to the Proposed Private Placement.

The approval by Bursa Securities for the above is subject to the following conditions:-

- i. CHB and UOBKH must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") pertaining to the implementation of the Proposed Private Placement;
- ii. CHB and UOBKH are required to inform Bursa Securities upon the completion of the Proposed Private Placement;
- iii. CHB/ UOBKH is required to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Private Placement, prior to the listing of the new shares to be issued pursuant to the Proposed Private Placement;
- iv. UOBKH is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed; and
- v. UOBKH to submit to Bursa Securities with details of the placees in accordance with Paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of placement and before the listing of the new shares to be issued pursuant to the Proposed Private Placement.

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19. Status of Corporate Proposals (Con't)

On 4 February 2022, the Board of the Company announced that the Ordinary Resolution as set out in the Notice of Extraordinary General Meeting (“EGM”) dated 20 January 2022 was duly passed by the shareholders by way of poll at the EGM of CHB held on 4 February 2022.

20. Utilisation of proceed

Private Placement proposed of up to 20% of the issued shares in the Company (“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:

Detail of utilisation	Purposed Utilisation base don actual proceeds raised (RM'000)	Actual Utilisation (RM'000)	Balance
Working Capital	8,972	9,086	(114)
Estimate expenses for the Private Placement	200	86	114
	9,172	9,172	-

Notes : any excess/shortfall in the actual amount of proposed estimate PP expenses will adjusted accordingly from or to the amount allocated for the working capital purpose

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21. Borrowings and Debt Securities

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

	As at 31 Dec 2021 RM'000	As at 31 Dec 2020 RM'000
Long and Short term borrowings – unsecured - Loans from director and CEO / bank	159	4,542

22. Realised and Unrealised (Losses)/Profit Disclosure

	As at 31 Dec 2021 RM'000	As at 31 Dec 2020 RM'000
Total accumulated losses of Compugates Holdings Berhad and subsidiaries:		
Realised	(98,609)	(91,504)
Unrealised	94,345	94,345
	(4,264)	2,841
Less: Consolidation adjustments	12,856	12,538
Total retained earnings	8,592	15,379

23. Material Litigation

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.

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

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23. Material Litigation (Con't)

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 was insisting that though it failed to comply with the conditions precedent, the MUSB JVA was 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 Company's solicitors 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. The matter had been fixed for clarification / decision on 13 January 2022 and at the same day the Shah Alam High Court had ruled in favor of CDMSB and declared that CDMSB was entitled to the whole Compensation Sum in respect of the land acquisition of 0.9892 hectares of land and that the MUSB JVA is terminated, not valid and binding. The sum of RM3,000,000.00 from the deposit paid by MUSB is forfeited as liquidated damages and the balance sum of RM2,000,000.00 paid under the MUSB JVA is to be refunded before or on 21 February 2022 and 5% interest per annum will be impose from 22 February 2022 if fail to refund. The private caveat is to be removed/ cancelled immediately and the counter claim is dismissed with cost of RM30,000.00 to be paid by MUSB to CDMSB.

24. Dividend

The Board does not recommend any dividend for the quarter ended 31 December 2021.

25. 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 2021	Corresponding Quarter Ended 31 Dec 2020	Current Year To Date 31 Dec 2021	Corresponding Period Ended 31 Dec 2020
Profit / (loss) attributable to equity holders of parent (RM'000)	(1,337)	(3,402)	(6,967)	(7,148)
Number of ordinary shares in issue ('000) (FY2016:RM0.10) each	3,302,197	2,828,572	3,302,197	2,828,572
Basic profit / (loss) per share (sen)	(0.04)	(0.12)	(0.21)	(0.25)

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25. Profit / (Loss) per Share (Con't)

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.

26. Loss before taxation

Loss before taxation includes the following items:-

	Current Year Quarter Ended 31 Dec 2021 RM'000	Corresponding Quarter Ended 31 Dec 2020 RM'000	Current Year To Date 31 Dec 2021 RM'000	Corresponding Period Ended 31 Dec 2020 RM'000
Bad debts written off	-	-	-	-
Depreciation of property and equipment	73	74	293	295
(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)	*
Realised gain on foreign exchange	-	-	-	-
Write-back of impairment loss on trade receivables	-	-	-	-
Interest expense	1	106	1,222	272
Interest income	(2)	(1)	(19)	(1)

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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27. Authorisation

This interim financial report for the financial period ended 31 December 2021 has been seen and approved by the Board of the Company on 25 February 2022 for release to the Bursa Securities.

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

Date: 25 February 2022