



ACE INNOVATE ASIA BERHAD
(Registration No.: 201901007350 (1316677-U))
(Incorporated in Malaysia under the Companies Act 2016)

FINANCIAL STATEMENTS FOR THE HALF YEAR
ENDED 31 DECEMBER 2019

**CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD
("BURSA SECURITIES")**

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET AND MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY ACE INNOVATE ASIA BERHAD ("AIAB" OR THE "COMPANY"). INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISK OF INVESTING IN AIAB AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.



ACE INNOVATE ASIA BERHAD
(Registration No.: 201901007350 (1316677-U))
(Incorporated in Malaysia under the Companies Act 2016)

UNAUDITED CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019⁽¹⁾

	(Unaudited)		(Unaudited)	
	Individual 6 months ended		Cumulative 12 months ended	
	31.12.2019	31.12.2018 ⁽²⁾	31.12.2019	31.12.2018 ⁽²⁾
	RM'000	RM'000	RM'000	RM'000
Revenue	349,534	N/A	968,393	N/A
Cost of sales	(344,519)	N/A	(957,909)	N/A
Gross profit	5,015	N/A	10,484	N/A
Other income	1,110	N/A	1,455	N/A
Administrative expenses	(5,133)	N/A	(8,996)	N/A
Profit from operating activities	992	N/A	2,943	N/A
Finance costs	(52)	N/A	(104)	N/A
Profit before tax	940	N/A	2,839	N/A
Income tax expense	(497)	N/A	(1,014)	N/A
Profit after tax	443	N/A	1,825	N/A
Other comprehensive income	-	N/A	-	N/A
Total comprehensive income for the period	443	N/A	1,825	N/A
Basic earnings per share (sen)	0.17	N/A	0.70	N/A

Notes:

- (1) The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Accountants' Report on the combined financial statements of AIAB and its subsidiaries ("Group") for the financial year ended ("FYE") 31 December 2018 in the Information Memorandum dated 28 June 2019 ("Information Memorandum") and the accompanying explanatory notes attached to this interim financial statement.
- (2) No comparative figures for the corresponding period of the preceding year are presented as this is the first interim financial report on the consolidated results for the individual 6-month period ended 31 December 2019 announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

N/A Not applicable



ACE INNOVATE ASIA BERHAD
 (Registration No.: 201901007350 (1316677-U))
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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019⁽¹⁾

	(Unaudited) As at 31.12.2019 RM'000	(Audited)⁽²⁾ As at 31.12.2018 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	4,623	2,792
Rights-of-use assets	936	-
Deferred tax assets	-	344
Total non-current assets	5,559	3,136
Current Assets		
Inventories	2,668	1,201
Trade and other receivables	12,426	19,631
Income tax assets	889	-
Cash and short-term deposits	10,936	3,453
Total current assets	26,919	24,285
TOTAL ASSETS	32,478	27,421
EQUITY		
Share capital	23,192	1,000
Retained earnings	12,080	12,255
Reorganisation reserve	(12,052)	-
TOTAL EQUITY	23,220	13,255

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019⁽¹⁾ (continued)

	(Unaudited)	(Audited)⁽²⁾
	As at	As at
	31.12.2019	31.12.2018
	RM'000	RM'000
LIABILITIES		
Non-current liabilities		
Borrowings	2,849	726
Lease liabilities	58	-
Deferred tax liabilities	346	27
Total non-current liabilities	3,253	753
Current liabilities		
Borrowings	383	279
Lease liabilities	60	-
Trade and other payables	5,562	12,737
Current tax liabilities	-	397
Total current liabilities	6,005	13,413
TOTAL LIABILITIES	9,258	14,166
TOTAL EQUITY AND LIABILITIES	32,478	27,421
Net assets per share (RM)	0.08	0.05
Number of ordinary shares ('000)	300,033	261,033

Notes:

- (1) The unaudited condensed consolidated statement of financial position should be read in conjunction with the Accountants' Report on the combined financial statements of the Group for the FYE 31 December 2018 in the Information Memorandum and the accompanying explanatory notes attached to this interim financial statements.
- (2) The Group was formalised on 8 May 2019 upon completion of the acquisitions of its subsidiaries. The acquisitions of entities under common control does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entities and is accounted for in accordance with the basis disclosed in Note A1.



ACE INNOVATE ASIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019⁽¹⁾

	Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 January 2019⁽¹⁾	1,000	-	12,255	13,255
Total comprehensive income for the period				
Profit for the financial period, representing total comprehensive income for the financial period	-	-	1,825	1,825
Transactions with owners				
Issuance of ordinary shares for the acquisition of subsidiaries	12,052	(12,052)	-	-
Dividends paid	-	-	(2,000)	(2,000)
Placement of shares to sophisticated investors	10,140	-	-	10,140
As at 31 December 2019	23,192	(12,052)	12,080	23,220

Notes:

- (1) The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the Accountants' Report on the combined financial statements of the Group for the FYE 31 December 2018 in the Information Memorandum and the accompanying explanatory notes attached to this interim financial statement.
- (2) The Group was formalised on 8 May 2019 upon completion of the acquisitions as disclosed in Note C1. The acquisitions of entities under common control does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entities and is accounted for in accordance with the basis disclosed in Note A1.



ACE INNOVATE ASIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019⁽¹⁾

	(Unaudited)	
	1.1.2019 to 31.12.2019 RM'000	1.1.2018 to 31.12.2018 ⁽²⁾ RM'000
Profit before Tax	2,839	N/A
Adjustments for:		
Depreciation of property, plant and equipment	501	N/A
Depreciation of rights-of-use assets	55	N/A
Gain on disposal of property, plant and equipment	(23)	N/A
Unrealised gain on foreign exchange	(1,233)	N/A
Interest income	(71)	N/A
Finance costs	104	N/A
Operating profit before working capital changes	2,172	N/A
Changes in working capital:		
Inventories	(1,467)	N/A
Trade and other receivables	6,547	N/A
Trade and other payables	(5,862)	N/A
Net cash generated from operations	1,390	N/A
Interest income	71	N/A
Income tax paid	(1,637)	N/A
Net cash flows used in operating activities	(176)	N/A
Cash flows from investing activities		
Purchase of property, plant and equipment	(619)	N/A
Proceeds from disposal of property, plant and equipment	74	N/A
Withdrawal of deposits	265	N/A
Dividends paid	(2,000)	N/A
Net cash flows used in investing activities	(2,280)	N/A
Cash flows from financing activities		
Interests paid	(99)	N/A
Net change in amount due to directors	(197)	N/A
Placement of shares to sophisticated investors	10,140	N/A
Repayment of term loan	(32)	N/A
Repayment of finance lease liabilities	(381)	N/A
Net cash flows from financing activities	9,431	N/A



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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019⁽¹⁾ (continued)

	(Unaudited)	
	1.1.2019	1.1.2018
	to	to
	31.12.2019	31.12.2018 ⁽²⁾
	RM'000	RM'000
Net increase in cash and cash equivalents	6,976	N/A
Cash and cash equivalents at the beginning of financial year	2,957	N/A
Effects of exchange rate changes on cash and cash equivalents	773	N/A
Cash and cash equivalents at the end of financial year	10,706	N/A

For the purpose of cash flows, cash and cash equivalents comprise the following:

	31.12.2019	31.12.2018 ⁽²⁾
	RM'000	RM'000
Short-term deposits placed with licensed banks	231	N/A
Less: Pledged deposits	(231)	N/A
	-	N/A
Cash and bank balances	10,706	N/A
	10,706	N/A

Notes:

- (1) The unaudited condensed statement of cash flows should be read in conjunction with the Accountants' Report on the combined financial statements of the Group for the FYE 31 December 2018 in the Information Memorandum and the accompanying explanatory notes attached to this interim financial statement.
- (2) No comparative figures for the corresponding period of the preceding year are presented as this is the first interim financial report on the consolidated results for the individual 6-month period ended 31 December 2019 announced by the Company in compliance with the LEAP Market Listing Requirements.
- (3) Cash and cash equivalents as at 31 December 2018, as disclosed in the Combined Statements of Financial Position of the Accountants' Report as disclosed in the Information Memorandum.

N/A Not applicable



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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

A1. Compliance with Malaysian Financial Reporting Standard and Listing Requirements of Bursa Securities

Basis of preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 6.12 of the Listing Requirements.

This is the first interim financial report on the Company’s consolidated results for the individual 6-month period ended 31 December 2019 announced in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

Acquisitions of subsidiaries under common control (in which all parties involved, being the acquirer, acquiree and seller are ultimately controlled by the same party and parties both before and after the acquisition) are consolidated using the merger method of accounting. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years.

On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve.

Changes in accounting policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted as disclosed in the Auditors’ Report in the Information Memorandum. At the beginning of the current financial year, the Group adopted amendments/improvements to MFRS and the Issues Committee (“IC”) Interpretations which are mandatory for the financial periods beginning on or after 1 January 2019. The Group has adopted the following new standards, amendments and interpretations:

New MFRSs

MFRS 16	Leases
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Amendments/Improvements to MFRSs

MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
MFRS 9	Financial Instruments – Prepayments Features with Negative Compensation

MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
MFRS 119	Employees Benefit - Plan Amendments, Curtailment or Settlement
MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
MFRS 128	Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures

New IC Interpretation

IC Interpretation 23	Uncertainty over Income Tax Treatments
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The adoption of the new and revised MFRSs, IC Interpretations and Amendments has no material impact to the Group's consolidated financial statements of the current reporting period or the comparative combined financial statements of the prior financial year except for changes arising from the adoption of MFRS 16, Leases as described below:

MFRS 16, *Leases* supersedes MFRS 117, *Leases* and its related interpretations. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. A lessee recognises its lease liability for its lease payments while recognising its lease asset representing the right to use of the underlying asset during the lease term. The Group elected to use the recognition exemptions for short-term leases and the leases of low-value assets. The lessor's accounting remains similar to the current standard which continues to be classified as finance or operating lease.

On the date of initial application, the Group applied the modified retrospective transition approach and did not restate comparative information for the period prior to first adoption.

As at 1 January 2019, the Group has recognised right-of-use assets of RM861,922 and a corresponding lease liabilities of RM861,922.

A2. Seasonal or cyclical factors

The Group does not experience any seasonality in its business as the demand for physical gold products is not subject to major seasonal fluctuations. However, its business is subject to economic conditions and fluctuations in global gold prices, which are affected by factors including, but not limited to, market speculation of future inflation and interest rates, global and regional economic conditions, global gold supply and consumption levels, as well as investment and trading activities in the market.

A3 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material unusual items affecting assets, liabilities, equity, net income and cash flow of the Group during the current period.

A4 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial year that have had a material effect in the current period.

A5 Debts and equity securities

Save for the issuance of 39,000,000 ordinary shares in AIAB ("Shares") at an issue price of RM0.26 per Share to selected sophisticated investors, there was no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period.

A6 Segmental information

(i) Analysis of revenue by products

	(Unaudited)		(Unaudited)	
	Individual 6 months ended		Cummulative 12 months ended	
	31.12.2019	31.12.2018 ⁽¹⁾	31.12.2019	31.12.2018 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Scrap gold bar	57,072	N/A	228,780	N/A
Cast gold bar	292,247	N/A	739,202	N/A
Minted gold bar	110	N/A	230	N/A
Assay services	105	N/A	181	N/A
	<u>349,534</u>	<u>N/A</u>	<u>968,393</u>	<u>N/A</u>

(ii) Analysis of revenue by geographical location

	(Unaudited)		(Unaudited)	
	Individual 6 months ended		Cummulative 12 months ended	
	31.12.2019	31.12.2018 ⁽¹⁾	31.12.2019	31.12.2018 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
Malaysia	213,468	N/A	709,940	N/A
Singapore	136,066	N/A	258,453	N/A
	<u>349,534</u>	<u>N/A</u>	<u>968,393</u>	<u>N/A</u>

Notes:

- (1) No comparative figures for the corresponding period of the preceding year and preceding period are presented as this is the first interim financial report on the consolidated results for the Individual 6-month period ended 31 December 2019 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

A7 Material events subsequent to the end of the current period

Save as disclosed below, there were no material events subsequent to the end of the current period:

On 7 January 2020, the Company was admitted to the Official List of Bursa Securities with the listing of and quotation for its entire enlarged issued share capital of RM23,191,651 comprising 300,033,000 Shares on the LEAP Market of Bursa Securities.

A8 Contingent assets and contingent liabilities

There are no contingent assets and contingent liabilities as at the date of this interim financial report.

A9 Changes in the composition of the Group

There are no material changes in the composition of the Group for the current period.

A10 Capital commitments

The Group has made commitments for the following:

	(Unaudited)	(Audited)
	As at	As at
	31.12.2019	31.12.2018 ⁽¹⁾
	RM'000	RM'000
Property, plant and equipment	<u>200</u>	<u>N/A</u>

As stated in the Information Memorandum, the Group has committed to utilise RM200,000 of the listing proceeds for renovation of its office located at No.19-1 and No.19-2, Jalan USJ10/1D, 47620 Subang Jaya Selangor. The renovation is expected to be completed by December 2020.

Notes:

(1) No comparative figures for the corresponding period of the preceding year and preceding period are presented as this is the first interim financial report on the consolidated results for the individual 6-month period ended 31 December 2019 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable

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B ADDITIONAL INFORMATION REQUIRED UNDER THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance

For the 6-month period ended 31 December 2019, the Group achieved revenue and profit before tax of RM349.53 million and RM0.94 million, respectively. The Group's revenue was mainly derived from the trading of scrap gold bars and cast gold bars, which contributed RM57.07 million and RM292.25 million, respectively.

There are no comparative figures for the corresponding period of the preceding year are presented as this is the first interim financial report on the consolidated results for the Individual 6-month period ended 31 December 2019 announced by the Company in compliance with the Listing Requirements.

For the cumulative 12-month period ended 31 December 2019, the Group achieved revenue and profit before tax of RM968.39 million and RM2.84 million, respectively. The Group's revenue was mainly derived from the trading of scrap gold bars and cast gold bars, which contributed RM228.78 million and RM739.20 million, respectively.

B2 Prospects of the Group

As disclosed in the Information Memorandum, the Group has put in place a series of future plans as follows:

- (i) Increase revenue stream from selling its products on e-commerce platforms;
- (ii) Increase sales channels to extend its customer reach; and
- (iii) Expand its business operations to East Malaysia.

There were no changes in the business direction of the Group which may have an impact on any of the business segments of the Group.

Further details of the Group's business strategies and future plans as well as prospects are disclosed in Sections 4.16 and 4.17 of the Information Memorandum.

B3 Variance of actual profit from profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

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C OTHER INFORMATION

C1 Status of corporate proposals

On 7 January 2020, the Company was admitted to the Official List of Bursa Securities with the listing of and quotation for its entire enlarged issued share capital of RM23,191,651 comprising 300,033,000 Shares on the LEAP Market of Bursa Securities.

C2 Borrowings and debt securities

The Group's total borrowings as at 31 December 2019 are as follows:

	(Unaudited)	(Audited)
	As at	As at
	31.12.2019	31.12.2018
	RM'000	RM'000
Non-current		
Term loan	2,680	411
Finance lease liabilities	169	315
	<u>2,849</u>	<u>726</u>
Current		
Term loan	71	33
Finance lease liabilities	312	246
	<u>383</u>	<u>279</u>
Total loans and borrowings		
Term loan	2,751	444
Finance lease liabilities	481	561
	<u>3,232</u>	<u>1,005</u>

C3 Material Litigation

There are no material litigations pending as at the date of this report.

C4 Dividends

No dividend has been paid or declared by the Company during the period under review.

C5 Earnings per share

	(Unaudited)		(Unaudited)	
	Individual 6 months ended	31.12.2018 ⁽¹⁾	Cummulative 12 months ended	31.12.2018
	31.12.2019		31.12.2019	
Profit attributable to owners of the Company (RM'000)	443	N/A	1,825	N/A
Weighted average number of shares at end of period	261,887,795	N/A	261,887,795	N/A
Basic earnings per ordinary share (sen)	0.17	N/A	0.70	N/A

The weighted average number of Shares in issue is computed as follows:

	(Unaudited)		(Unaudited)	
	Individual 6 months ended	31.12.2018 ⁽¹⁾	Cummulative 12 months ended	31.12.2018
	31.12.2019		31.12.2019	
Shares issued pursuant to:				
- Incorporation of the Company	1	N/A	1	N/A
- Acquisition of subsidiaries ⁽²⁾	261,032,999	N/A	261,032,999	N/A
- Placement of shares to sophisticated investors	854,795	N/A	854,795	N/A
	261,887,795	N/A	261,887,795	N/A

Notes:

- (1) No comparative figures for the corresponding period of the preceding year are presented as this is the first interim financial report on the consolidated results for the 6-month period ended 31 December 2019 announced by the Company in compliance with the Listing Requirements.
- (2) Shares arising from the acquisition of subsidiaries are assumed to be issued throughout the 12-month period ended 31 December 2019 as the acquisition of subsidiaries was accounted under common control using the merger accounting method of consolidation.

Diluted earnings per Share is the same as the basic earnings per Share as there was no potential dilutive instrument.

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