INFORMATION MEMORANDUM

FOR RESTRICTED CIRCULATION ONLY

ACE INNOVATE ASIA BERHAD

(Company No.: 1316677-U)

(Incorporated in Malaysia under the Companies Act 2016)

PROPOSED PLACEMENT OF 39,000,000 NEW ORDINARY SHARES IN ACE INNOVATE ASIA BERHAD AT AN INDICATIVE ISSUE PRICE OF RM0.26 PER SHARE IN CONJUNCTION WITH OUR PROPOSED LISTING ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Approved Adviser, Placement Agent and Continuing Adviser

TA SECURITIES

A MEMBER OF THE TA GROUP

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

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 (AS DEFINED HEREIN) ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY US. INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISK OF INVESTING IN US AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

This Information Memorandum is dated 28 June 2019

IMPORTANT NOTICE

All defined terms used in this Information Memorandum are defined under "Definitions", unless otherwise stated.

RESPONSIBILITY STATEMENTS

OUR DIRECTORS HAVE SEEN AND APPROVED THIS INFORMATION MEMORANDUM. THEY HAVE MADE ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE, INFORMATION AND BELIEF, COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL THE INFORMATION AND STATEMENTS CONTAINED IN THIS INFORMATION MEMORANDUM, AND CONFIRM THAT THIS INFORMATION MEMORANDUM CONTAINS ALL RELEVANT INFORMATION WITH REGARD TO OUR GROUP WHICH IS MATERIAL IN THE CONTEXT OF OUR PROPOSED PLACEMENT AND PROPOSED LISTING. AS AT THE DATE HEREOF, THE INFORMATION CONTAINED IN THIS DOCUMENT IS TRUE AND ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING. AS AT THE DATE HEREOF, THE OPINIONS AND INTENTIONS OF OUR COMPANY EXPRESSED HEREIN ARE HONESTLY HELD, AND THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER MATERIAL FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS INFORMATION MEMORANDUM FALSE OR MISLEADING.

TA SECURITIES, BEING THE APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER TO OUR PROPOSED LISTING, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE, THIS INFORMATION MEMORANDUM CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR PROPOSED PLACEMENT AND PROPOSED LISTING.

STATEMENTS OF DISCLAIMER

THIS INFORMATION MEMORANDUM HAS BEEN DRAWN UP IN ACCORDANCE WITH THE LISTING REQUIREMENTS FOR OUR PROPOSED PLACEMENT AND PROPOSED LISTING AND IS NOT A PROSPECTUS AND HAS NOT BEEN REGISTERED, NOR WILL IT BE REGISTERED AS A PROSPECTUS UNDER THE CMSA. OUR PROPOSED PLACEMENT IS WITHIN THE MEANING OF SECTION 230 OF THE CMSA.

THIS INFORMATION MEMORANDUM HAS BEEN PREPARED IN THE CONTEXT OF SECURITIES OFFERING UNDER THE LAWS OF MALAYSIA. IT DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA. THIS INFORMATION MEMORANDUM IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

A COPY OF THIS INFORMATION MEMORANDUM HAS BEEN DEPOSITED WITH THE SC.

THE SC AND BURSA SECURITIES TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS INFORMATION MEMORANDUM, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS INFORMATION MEMORANDUM. THE SC AND BURSA SECURITIES DO NOT MAKE ANY ASSESSMENT ON THE SUITABILITY, VIABILITY OR PROSPECTS OF OUR GROUP. SOPHISTICATED INVESTORS ARE EXPECTED TO MAKE THEIR OWN ASSESSMENT ON OUR GROUP OR SEEK APPROPRIATE ADVICE BEFORE MAKING THEIR INVESTMENT DECISIONS. TA SECURITIES, AS OUR APPROVED ADVISER, HAS ASSESSED THE SUITABILITY OF OUR GROUP FOR ADMISSION TO THE LEAP MARKET OF BURSA SECURITIES AS REQUIRED UNDER RULE 4.10 OF THE LISTING REQUIREMENTS.

AN APPLICATION HAS BEEN MADE TO BURSA SECURITIES FOR THE ADMISSION OF OUR COMPANY AND THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED SHARE CAPITAL OF OUR COMPANY ON THE LEAP MARKET OF BURSA SECURITIES. NO MONIES SHALL BE COLLECTED FROM SOPHISTICATED INVESTORS FOR THE SUBSCRIPTION OF THE PLACEMENT SHARES, AND NO NEW SHARES SHALL BE ALLOTTED PURSUANT TO OUR PROPOSED PLACEMENT UNTIL BURSA SECURITIES HAS GRANTED ITS APPROVAL FOR THE ADMISSION OF OUR COMPANY TO THE LEAP MARKET OF BURSA SECURITIES. APPROVAL FROM BURSA SECURITIES OF THE SAME IS NOT AN INDICATION OF THE MERITS OF OUR PROPOSED PLACEMENT, PROPOSED LISTING, OUR GROUP AND OUR SHARES. THIS INFORMATION MEMORANDUM CAN BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com.

THE LEAP MARKET OF BURSA SECURITIES HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING HOLDERS ("**HOLDERS**") AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY OUR COMPANY. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN OUR COMPANY, AND SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY AND MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATIONS AND, IF APPROPRIATE, CONSULTATION WITH STOCKBROKER, MANAGER, SOLICITOR, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS.

THERE ARE CERTAIN RISK FACTORS WHICH SOPHISTICATED INVESTORS SHOULD CONSIDER. PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 5 OF THIS INFORMATION MEMORANDUM.

SOPHISTICATED INVESTORS SHOULD NOTE THAT THEY MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS AND REGULATIONS INCLUDING ANY STATEMENT IN THIS INFORMATION MEMORANDUM THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION, OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS INFORMATION MEMORANDUM. THIS INFORMATION MEMORANDUM OR ANY DOCUMENT DELIVERED UNDER OR IN RELATION TO THE ISSUE, OFFER AND SALE OF OUR SHARES IS NOT AND SHOULD NOT BE CONSTRUED AS A RECOMMENDATION BY US AND/OR THE APPROVED ADVISER TO SUBSCRIBE FOR OR PURCHASE OUR SHARES.

THE PURPOSE OF THIS INFORMATION MEMORANDUM IS TO PROVIDE INFORMATION ON THE BUSINESS AND AFFAIRS OF OUR GROUP. THIS INFORMATION MEMORANDUM IS NOT A SUBSTITUTE FOR AND SHOULD NOT BE REGARDED AS AN INDEPENDENT EVALUATION AND ANALYSIS AND DOES NOT PURPORT TO BE ALL INCLUSIVE. EACH SOPHISTICATED INVESTOR SHOULD PERFORM AND IS DEEMED TO HAVE MADE ITS OWN INDEPENDENT INVESTIGATION, ASSESS THE MERITS AND RISKS OF THE INVESTMENT AND ANALYSIS OF OUR GROUP AND ALL OTHER RELEVANT MATTERS.

THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN ISSUE OF SECURITIES WOULD CONSTITUTE A PROPOSED PLACEMENT WITHIN THE MEANING OF SECTION 230 OF THE CMSA.

THIS INFORMATION MEMORANDUM, IF FURNISHED TO YOU, IS STRICTLY FOR YOUR OWN USE AND IS NOT TO BE CIRCULATED TO ANY OTHER PARTY. INFORMATION IN THIS DOCUMENT IS SUBJECT TO CHANGE FROM TIME TO TIME AS WE AND/OR TA SECURITIES SHALL DEEM FIT.

WE AND/OR TA SECURITIES DO NOT ASSUME ANY FIDUCIARY RESPONSIBILITIES OR LIABILITY FOR ANY CONSEQUENCES, FINANCIAL OR OTHERWISE, ARISING FROM THE SUBSCRIPTION OR ACQUISITION OF OUR SHARES.

MODE OF COMMUNICATION

In accordance with our Constitution, we may send notices and documents to our Holders by electronic means to our Holders' registered email address last maintained with Bursa Depository. Our Holders have a right to request for a hard copy of such notices and documents should they wish to do so. In such event, we will forward a hard copy of the notices and documents to our Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to our Holders' registered Malaysian address last maintained with Bursa Depository.

We may also publish notices and documents on our website as a form of electronic communication with our Holders. In such event, we will separately and immediately notify our Holders through the following:

(i) ordinary mail; and/or

(ii) electronic means to our Holders' registered email address.

TERMS AND CONDITIONS BINDING ALL RECIPIENTS

By accepting this Information Memorandum, you agree and undertake to be bound by the following terms and conditions:

(i) This Information Memorandum is issued by our Company and distributed by us as well as TA Securities as our Approved Adviser and Placement Agent. The distribution of this Information Memorandum shall be in paper/printed copy and/or electronic copy upon request by interested recipient, free of charge. This Information Memorandum is distributed to interested recipient for information purposes only and upon the express understanding that such recipients will use it only for the purposes set forth below.

(ii) The information contains in this Information Memorandum, including any statement or fact or opinion is solely for use by a limited number of prospective Sophisticated Investors for the purpose of evaluating their interest in investing in our Group ("**Proposed Investment**"). Nothing contained herein shall be taken as a recommendation or invitation by us and/or TA Securities to undertake the Proposed Investment or as a commitment on our part to accept your Proposed Investment.

(iii) You are solely responsible for your investment decision and are advised to seek independent financial, legal, tax or such other professional advice at your own cost and expense when making your independent appraisal, assessment, review and evaluation of our business, financial position, financial performance and prospects, the rights and obligations attaching to our Shares, the merits of investing in our Shares, and the extent of the risk involved in doing so.

(iv) This Information Memorandum may include certain statements provided by us or on our behalf with respect to the anticipated future performance of our Group. These statements, although believed to be reasonable, are based on estimates and assumptions made by us that are subject to risks and uncertainties that may cause actual events and our future results to be materially different from that expected or indicated by such statements or estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by us or TA Securities that our plans and strategies as disclosed herein will be achieved.

(v) We and TA Securities each reserve the right (without notice or recourse) to alter, amend, terminate or suspend the process in respect of the Proposed Investment ("**Investment Process**") without providing any reason therefor. All costs incurred by you during the Investment Process are for your account only and under no circumstances will we or TA Securities be responsible for any part of such costs, notwithstanding any alteration, amendment, termination or suspension of the Investment Process or the reason thereof.

(vi) Any document in relation to our Proposed Placement and Proposed Listing published or issued from time to time after the date hereof shall be deemed to form part of this Information Memorandum.

(vii) Subject to the provisions of any law, regulations and guidelines ("**Applicable Laws**"), we and TA Securities each reserve the right to negotiate with one or more prospective Sophisticated Investors at any time. Subject to the Applicable Laws, we and TA Securities each also reserve the rights (without notice or recourse) to terminate, at any time, further participation in the Investment Process by all or any recipients without assigning any reasons thereof.

(viii) You shall not copy, reproduce, distribute, summarise, excerpt from, publicly refer to or pass on any part of this Information Memorandum to any person at any time without the prior written consent of TA Securities. You shall at all times keep confidential all information contained herein or any other information relating to the Proposed Investment, whether written, oral or in a visual or an electronic form, transmitted or made available to you in the course of your evaluation of the Proposed Investment. In the event that you do not undertake the Proposed Investment for any reason whatsoever, you shall upon request return all materials received from us or TA Securities, including this Information Memorandum, without retaining any copy.

(ix) Neither the receipt of this Information Memorandum by any recipient nor any information made available in connection with the Proposed Investment is to be taken as constituting the giving of investment advice by TA Securities. TA Securities shall not advise you on the merits or risks of the Proposed Investment or potential valuation for the Proposed Investment.

(x) This Information Memorandum will not be distributed in any jurisdiction outside Malaysia except in accordance with the legal requirements applicable in such jurisdiction. No recipient in any jurisdiction outside Malaysia may take any action upon this Information Memorandum if, in the relevant jurisdiction, such action cannot be taken by the recipients without contravention of any relevant legal requirements. It is the sole responsibility of any recipients wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the law of the relevant jurisdiction and/or Malaysia in connection therewith, including without limitation, the receipt of our Shares or cash payment upon the sale of our Shares by the recipients, the repatriation of any money by the recipients out of Malaysia, the obtaining of any governmental, exchange control or other consents which may be required, and the payment of any tax or duty due in such jurisdiction. Such recipients shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and we and TA Securities shall be entitled to be fully indemnified by such recipients for any tax or payment as the recipients may be required to pay.

(xi) This Information Memorandum had not been made and will not be made to ensure that our Proposed Placement complies with the laws of any jurisdiction other than Malaysia. We and TA Securities, shall not accept any responsibility or liability in the event that any action taken by any recipients in any jurisdiction outside Malaysia is or shall become illegal, unenforceable, voidable or void in such jurisdiction. Such recipients shall therefore immediately consult their professional advisers in relation to the observance of the relevant legal requirements, and shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and shall keep us and TA Securities fully indemnified for the payment of such taxes or payments.

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PRESENTATION OF INFORMATION

All references to "our Company" and "AIAB" in this Information Memorandum are to ACE Innovate Asia Berhad. All references to "our Group" and "AIAB Group" in this Information Memorandum are to our Company and our subsidiaries taken as a whole and references to "we", "us", "our" and "ourselves" are to our Company and where the context requires, shall include our subsidiaries. Unless the context otherwise requires, references to "management" are to our Executive Directors and key management personnel as disclosed in this Information Memorandum and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" section of this Information Memorandum. Words denoting the singular will, where applicable, include the plural and vice versa and words denoting the masculine gender will, where applicable, include the feminine and neuter genders and vice versa. Reference to persons will include companies and corporations.

Unless otherwise stated, any reference to dates and times in this Information Memorandum are references to dates and times in Malaysia.

Any reference in this Information Memorandum to any statutory legislation is a reference to that statutory legislation as for the time being amended, modified or re-enacted.

In particular, certain information in this Information Memorandum is extracted or derived from the report prepared by Providence Strategic Partners Sdn Bhd, an independent market researcher. We believe that the statistical data and projections cited in this Information Memorandum are useful in helping you to understand the major trends in the industries in which we operate. Third party projections cited in this Information Memorandum are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved and you should not place undue reliance on the third party projections cited in this Information Memorandum.

You should not rely on the information on our website or any website directly or indirectly linked to our website as it does not form part of this Information Memorandum.

This Information Memorandum contains forward-looking statements, which include all statements other than those of historical facts including, among others, those regarding our financial position, business strategies, prospects, plans and objectives of our management for future operations. Some of these statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions. Such forward-looking statements involve known or unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Information Memorandum will be realised.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 5 of this Information Memorandum. We cannot give any assurance that the forward-looking statements made in this Information Memorandum will be realised.

These forward-looking statements are based on information available to us as at the date of this Information Memorandum. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Information Memorandum to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained in this Information Memorandum.

PRIVACY NOTICE

The Personal Data Protection Act 2010 ("**PDPA**") was introduced to regulate the processing of personal data in commercial transactions. The PDPA requires us to inform you of your rights in respect of your personal data that is to be collected and processed by us.

Consequently, please be informed that the personal data and other information (collectively, "**Personal Data**") that you provide will be used and processed by us in connection with our Proposed Placement and Proposed Listing only ("**Purpose**"), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be disclosed to our advisers who provide services to us, including our Placement Agent. Save for the foregoing, your Personal Data will not be knowingly disclosed to any other third party.

Without prejudice to the terms and conditions of our Proposed Placement and the Proposed Listing as contained in this Information Memorandum, you may at any time hereafter make inquiries, complaints and upon payment of a prescribed fee, request in writing to access to, or correction of, your Personal Data or limit the processing of your Personal Data by submitting such request to the following:

Postal address	:	ACE Innovate Asia Berhad c/o HMC Corporate Services Sdn Bhd Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur

Kindly be informed that we will assume that you have consented and we will continue to process your Personal Data in accordance with this Privacy Notice unless we hear otherwise from you. You may exercise your rights in respect of Personal Data in the manner described above.

This Privacy Notice may be amended from time to time and would be in effect on the date as determined by us. Any amendment to this Privacy Notice shall be published on any medium as we deem fit.

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INDICATIVE TIMETABLE

The indicative timing of our Proposed Placement and events leading up to the listing of and quotation for our entire enlarged issued share capital on the LEAP Market of Bursa Securities are set out below:

Events	**Tentative date**
Date of this Information Memorandum	28 June 2019
Price-fixing date for the Placement Shares	Early-August 2019*
Allotment of Placement Shares to selected Sophisticated Investors	End-August 2019*
Listing of our Company on the LEAP Market of Bursa Securities	Mid-September 2019*

Note:

* *Subject to receipt of approval-in-principle from Bursa Securities for our Proposed Listing. An announcement for the key relevant dates will be made after Bursa Securities' approval-in-principle has been obtained for our Proposed Listing.*

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Information Memorandum and the accompanying appendices:

"ACE Assay"	:	ACE Assay (M) Sdn Bhd
"ACE Assay SSA"	:	Share sale agreement dated 8 May 2019 entered into between our Company, ACE Dynamic and the Vendor of ACE Assay for the Acquisition of ACE Assay
"ACE Capital"	:	ACE Capital Growth Sdn Bhd
"ACE Capital SSA"	:	Share sale agreement dated 8 May 2019 entered into between our Company, ACE Dynamic and the Vendors of ACE Capital for the Acquisition of ACE Capital
"ACE Dynamic"	:	ACE Dynamic Team Sdn Bhd
"ACE Global"	:	ACE Global Metal Sdn Bhd
"ACE Global SSA"	:	Share sale agreement dated 8 May 2019 entered into between our Company, ACE Dynamic and the Vendors of ACE Global for the Acquisition of ACE Global
"Acquisition of ACE Assay"	:	Acquisition by our Company of the entire issued share capital of ACE Assay from the Vendor of ACE Assay for a total purchase consideration of RM3 to be satisfied via the issuance of 60 new Shares to ACE Dynamic at an issue price of RM0.05 per Share, which was completed on 24 June 2019
"Acquisition of ACE Capital"	:	Acquisition by our Company of the entire issued share capital of ACE Capital from the Vendors of ACE Capital for a total purchase consideration of RM13,051,547 to be satisfied via the issuance of 261,030,939 new Shares to ACE Dynamic at an issue price of RM0.05 per Share, which was completed on 24 June 2019
"Acquisition of ACE Global"	:	Acquisition by our Company of the entire issued share capital of ACE Global from the Vendors of ACE Global for a total purchase consideration of RM100 to be satisfied via the issuance of 2,000 new Shares to ACE Dynamic at an issue price of RM0.05 per Share, which was completed on 24 June 2019
"Acquisitions"	:	Acquisition of ACE Assay, Acquisition of ACE Capital and Acquisition of ACE Global, collectively
"Act"	:	Companies Act 2016
"AIAB" or "Company"	:	ACE Innovate Asia Berhad
"AIAB Group" or "Group"	:	Our Company and our subsidiaries, collectively
"AIAB Share(s)" or "Share(s)"	:	Ordinary share(s) in our Company
"Board"	:	Board of Directors of our Company
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad

"CAGR"	:	Compound annual growth rate
"CCC"	:	Certificate of Completion and Compliance
"CEO"	:	Chief Executive Officer
"CFO"	:	Chief Financial Officer
"CMO"	:	Chief Marketing Officer
"CMSA"	:	Capital Markets and Services Act 2007
"Constitution"	:	Constitution of our Company
"CSO"	:	Chief Sales Officer
"CTO"	:	Chief Technology Officer
"Director"	:	A natural person who holds directorship in our Company and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the CMSA
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"EPS"	:	Earnings per Share
"FYE"	:	Financial year ended / ending 31 December, as the case may be
"GP"	:	Gross profit
"GST"	:	Malaysian Goods and Services Tax
"IMR Report"	:	Independent market research report on the gold and gold bullion trading industry dated 20 June 2019 prepared by Providence Strategic Partners Sdn Bhd
"Indicative Issue Price"	:	RM0.26 per Placement Share
"Information Memorandum"	:	This Information Memorandum dated 28 June 2019 in relation to our Proposed Placement and Proposed Listing
"Listing Requirements"	:	LEAP Market Listing Requirements of Bursa Securities
"LPD"	:	18 June 2019, being the latest practicable date prior to the date of this Information Memorandum
"NA"	:	Net assets
"Official List"	:	The list specifying all securities listed on Bursa Securities
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Placement Shares"	:	39,000,000 new Shares to be issued pursuant to the Proposed Placement
"PRC"	:	People's Republic of China

"Promoters"	:	ACE Dynamic, Go Yoong Chang, Kua Kee Koon, Fong Pok Yee, Kee Wee Chong and Liew Kim Fung, collectively
"Proposed Listing"	:	Proposed admission to the Official List and the listing of and quotation for our entire enlarged share capital of RM23,191,651 comprising 300,033,000 Shares on the LEAP Market of Bursa Securities
"Proposed Placement"	:	Proposed issuance of the Placement Shares within the meaning of Section 230 of CMSA, at the Indicative Issue Price to selected Sophisticated Investors in conjunction with our Proposed Listing
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"SGD"	:	Singapore Dollar
"Sophisticated Investors"	:	Any person who falls within any of the categories of investors set out in Part I of Schedule 7 of the CMSA
"SSAs"	:	ACE Assay SSA, ACE Capital SSA and ACE Global SSA, collectively. "SSA" shall mean any one of them
"SST"	:	Sales and Services Tax
"TA Securities"	:	TA Securities Holdings Berhad
"USD"	:	United States Dollar
"Vendor of ACE Assay"	:	Go Yoong Chang
"Vendors of ACE Capital"	:	Go Yoong Chang, Ong Li Ling and Kee Wee Chong, collectively
"Vendors of ACE Global"	:	Go Yoong Chang, Kua Kee Koon, Fong Pok Yee, Leong Weng Fai, Liew Kim Fung and Careen Tan Kai Lin, collectively

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Glossary of technical terms

"°C"	:	The degree Celsius unit used to measure temperature
"anneal"	:	A heat treatment process that heats metals and allows it to cool. It is used to reduce metal hardness, increase ductility and eliminate internal stresses of the metals
"application programming interface"	:	A set of functions and procedures that allow applications to access the features of an external or third-party operating system, services or databases
"assay"	:	In this Information Memorandum, assay refers to the analysis of gold composition in order to determine the purity of a physical gold product
"bullion"	:	Physical gold, silver and other precious metals in the form of bars, ingots and coins
"cast gold bars"	:	Physical gold products produced by refineries. They are in the form of bars and carry simple designs. Cast gold bars may be accredited by LBMA
"cupel"	:	A porous pot in which gold or silver can be refined or assayed
"Cupellation method"	:	Known as fire assay, which is a refining process in metallurgy, where ores and alloyed metals are treated under very high temperatures and have controlled operations to separate noble metals like gold and silver from base metals like lead, copper or zinc, present in the ore. It is also used for determining gold purity in gold jewellery alloys
"e-commerce"	:	The activity of purchasing or selling of products through online services over the Internet
"ERP"	:	Enterprise resource planning, which is an enterprise software platform that electronically captures, stores and manages processes in real time
"GTP Easy platform"	:	Our Group's platform that allows for transactions to take place within the platform's operating hours. It provides live prices of gold per gram
"ICT"	:	Information communications and technology
"interlocking door system"	:	A system that prevents two doors from being opened at the same time. This helps to control the persons entering the premises at any one point of time
"international bullion traders"	:	Enterprises, companies or organisations based outside of Malaysia that are involved in trading of bullions. Some of these companies are also refineries
"international transit"	:	The collection or delivery of our products by air from Malaysia to Singapore, or vice versa
"jewellers"	:	Persons or companies that manufacture and/or sell jewellery

DEFINITIONS *(CONT'D)*

"LBMA"	:	London Bullion Market Association, the leading world authority for the production of gold and other precious metal bars
"LBMA cast gold bars"	:	Cast gold bars that are refined by LBMA accredited refineries. These cast gold bars must meet the standards set by the LBMA in terms of purity, quality and physical appearance
"local bullion traders"	:	Enterprises, companies or organisations based in Malaysia that are involved in trading of bullions
"margin trade facility"	:	Facilities offered for the trading of gold by allowing us to pay a fraction of the total transaction value (i.e. margin) as opposed to full settlement
"market maker"	:	A person or company that provides liquidity to the financial market
"minted gold bars"	:	Refined gold bars that have intricate aesthetic designs with different weights and sizes, and marked with details such as manufacturer's name, weight, purity and serial number
"paper gold trade"	:	Gold trading that is not backed by physical gold products
"pawn shops"	:	Shops or businesses that offer loans to people, in exchange for valuable items pledged as collateral
"recycled gold"	:	Reclaimed gold products, such as used jewellery, electric wiring as well as components in electronic and industrial products. In the case of our Group, the recycled gold products purchased are primarily used jewellery as at the LPD
"refineries"	:	Companies that refine physical gold products that meet the industry standards. Some of these companies are also bullion traders
"retail consumer"	:	An individual who purchases physical gold products (such as jewellery or minted gold bars) to be adorned, kept as a collectible item or given as a gift
"retail investor"	:	An individual who purchases physical and non-physical gold products for his or her own investment purpose, rather than for an enterprise, company or organisation
"scrap gold bars"	:	Unrefined physical gold products formed by melting recycled gold such as used jewellery to form bar shapes
"SMS"	:	Short Message Service
"vault door"	:	A solid door fitted with a grill gate and constructed using stainless steel. The solid door has a 4-wheel combination lock / digital combination lock while the grill gate is secured by two mortice locks
"webinar"	:	A seminar conducted over the internet

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS	:	Go Yoong Chang *(Executive Director / CEO)* Kua Kee Koon *(Executive Director / CSO)* Fong Pok Yee *(Executive Director / CMO)* Liew Kim Fung *(Executive Director / Chief Trader)* Pua Kiam Hong *(Independent Non-Executive Director)*
MANAGEMENT OFFICES / PRINCIPAL PLACE OF BUSINESS	:	No.19-1, Jalan USJ 10/1D 47620 Subang Jaya Selangor Website: www.ace2u.com Email: enquiry@ace2u.com
COMPANY SECRETARY	:	Wong Youn Kim (MAICSA 7018778) c/o HMC Corporate Services Sdn Bhd Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur
REGISTERED OFFICE	:	HMC Corporate Services Sdn Bhd Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur
APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER	:	TA Securities Holdings Berhad 32nd Floor, Menara TA One 22, Jalan P. Ramlee 50250 Kuala Lumpur
AUDITORS AND REPORTING ACCOUNTANTS	:	Baker Tilly Monteiro Heng PLT (LLP0019411-LCA & AF 0117) Level 10, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur
DUE DILIGENCE SOLICITOR FOR OUR PROPOSED LISTING	:	Olivia Lim & Co 41-3 Plaza Damansara Jalan Medan Setia 1 Bukit Damansara 50490 Kuala Lumpur
INDEPENDENT MARKET RESEARCHER	:	Providence Strategic Partners Sdn Bhd 67-1, Block D, Jaya One No. 72A, Jalan Universiti 46200 Petaling Jaya Selangor

1. CORPORATE DIRECTORY *(CONT'D)*

SHARE REGISTRAR	:	Boardroom Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor
PRINCIPAL BANKER	:	Malayan Banking Berhad No. 39, Jalan USJ 10/1G 47620 Subang Jaya Selangor
LISTING SOUGHT	:	LEAP Market of Bursa Securities

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2. DETAILS OF OUR PROPOSED LISTING

2.1 Particulars of our Proposed Listing

Our Group is offering 39,000,000 Shares at the Indicative Issue Price, representing 13.00% of the enlarged issued share capital of our Company, to selected Sophisticated Investors.

In respect of Rule 3.10 of the Listing Requirements:

(i) TA Securities had obtained a waiver from Bursa Securities from compliance with Rule 3.10(1) of the Listing Requirements whereby all monies received from the Sophisticated Investors pursuant to subscription of the Placement Shares will be held in trust by TA Securities and will be deposited into a trust account operated solely by TA Securities (instead of a trust account jointly operated by TA Securities and our Company as required under Rule 3.10(1) of the Listing Requirements);

(ii) our Company and TA Securities undertake that all monies held in trust by TA Securities will not be withdrawn until the listing date; and

(iii) our Company undertakes to repay without interest all monies received from the Sophisticated Investors if:

(a) the listing of our Company does not take place within 6 months from the date of Bursa Securities' approval for our listing on the LEAP Market or such further extension of time as Bursa Securities may allow ("**Period**"); or

(b) our Company aborts its listing on the LEAP Market.

In such event, all monies received from the Sophisticated Investors will be repaid within 14 days from the end of the Period or the date when we notify Bursa Securities of our decision to abort our Proposed Listing. Should we fail to do so, in addition to our Company's liabilities, our Board shall be jointly and severally liable to repay such monies with interest at the rate of 10% per annum from the end of the Period or such other rate as Bursa Securities may prescribe.

2.2 Purposes of our listing

The purposes of our listing are as follows:

(i) to enable us to tap into the capital market for fund-raising to pursue future growth opportunities;

(ii) to gain recognition and enhance the stature of our Group with a listing status as well as increase market awareness of our products and services so as to assist us in expanding our customers base; and

(iii) to provide an opportunity for Sophisticated Investors to participate in our equity and continuing growth.

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2.3 Share capital

	No. of Shares	RM
Issued share capital as at the date of this Information Memorandum	261,033,000	13,051,651
Shares to be issued pursuant to the Proposed Placement	39,000,000	10,140,000
Enlarged share capital (upon Proposed Placement)	**300,033,000**	**23,191,651**
Indicative Issue Price		0.26
Market capitalisation at the Indicative Issue Price (upon Proposed Listing)		78,008,580

Based on the Indicative Issue Price and our enlarged issued share capital of RM23,191,651 comprising 300,033,000 AIAB Shares, we will have a market capitalisation of RM78,008,580 upon the completion of our Proposed Listing. The board lot size of our Shares upon our Proposed Listing will be standardised at 100 units per board lot.

As at the LPD, our Company has a single class of shares, namely ordinary shares.

Our Shares rank *pari passu* in all respects with one another including voting rights and rights to all dividends and other distributions that may be declared.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the capital on the Shares held by them, be entitled to share in the profits paid out by our Company in the form of dividends and other distributions. In the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital at the commencement of the liquidation, in accordance with our Constitution and the provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney or other duly authorised representative. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote for each Share held.

There are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by the constituent documents of our Company.

2.4 Basis of arriving at the Indicative Issue Price

The Indicative Issue Price was determined after taking into consideration, amongst others, the following factors:

(i) our financial performance and operating history as described in Sections 3, 8 and 9 of this Information Memorandum;

(ii) our EPS of approximately 1.58 sen, computed based on our audited combined PAT of RM4,754,000 for the FYE 2018 and our enlarged issued share capital of 300,033,000 Shares, translating to a price-earnings multiple of 16.41 times based on the Indicative Issue Price;

(iii) our competitive strengths as set out in Section 4.5 of this Information Memorandum;

(iv) our business strategies and future plans as set out in Section 4.16 of this Information Memorandum; and

(v) the prospects of our Group and the prevailing outlook of the industry which our Group operates in as set out in Sections 4.17 and 6 of this Information Memorandum.

The market price of our Shares upon and subsequent to our Proposed Listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. You are reminded to consider the risk factors as set out in Section 5 of this Information Memorandum and form your own views on the valuation of our Shares before deciding on whether to invest in our Shares.

2.5 Utilisation of proceeds

Based on the Indicative Issue Price, the Proposed Placement is expected to raise gross proceeds of RM10.14 million to be utilised as follows:

Utilisation purposes	Notes	RM'000	% of total gross proceeds	Expected time frame for the utilisation of proceeds (from the date of listing of our Shares)
Working capital	(i)	8,956	88.33	Within 12 months
Enhancement of office safety features	(ii)	200	1.97	Within 12 months
Marketing and advertising expenses	(iii)	64	0.63	Within 12 months
Estimated expenses in relation to our Proposed Listing	(iv)	920	9.07	Immediately
Total estimated proceeds		**10,140**	**100.00**	

Notes:

(i) *Our working capital requirements are expected to increase in line with our intended business expansion as outlined in Section 4.16 of this Information Memorandum. Thus, we intend to utilise approximately RM8.96 million for the following:*

Purpose of use	***Amount (RM'000)***
Purchase of scrap gold bars, cast gold bars and minted gold bars	*8,446*
Increase the limit of margin trade facilities offered to us by international bullion traders and/or refineries (please refer to the Glossary of Technical Terms and Section 3 of this Information Memorandum for further information on the margin trade facilities offered to us)	*510*
Total	***8,956***

(ii) *We have allocated RM0.20 million for the renovation of our current office at No. 19-1 and 19-2, Jalan USJ 10/1D 47620, Subang Jaya, Selangor to increase its safety features to deter potential robberies and/or break-ins. The renovation of our office includes the enhancement of security through the reinforcement of its concrete walls, installation of a vault door and purchase of a new safe box.*

(iii) *As part of our future plan to increase our revenue stream from selling our products on e-commerce platforms, we intend to intensify our digital marketing efforts by investing in search engine optimisation and online advertising. In addition, we will continue to participate in trade fairs and exhibitions to increase public awareness of our products and services.*

(iv) *To defray the estimated listing expenses incidental to our Proposed Listing including professional fees, fees payable to authorities and other miscellaneous expenses.*

In the event that the actual amounts vary from the above estimates, the excess or deficit (as the case may be), will be reallocated to / from the amount earmarked for the working capital of our Group, the breakdown of which cannot be determined at this juncture.

Prior to being utilised, the proceeds from the Proposed Placement will be placed in deposits with licenced financial institutions and/or short-term money market instruments, as our Board may deem fit. The interest income derived from such deposits and/or any gain arising from the short-term money market instruments will be used for working capital purposes of our Group.

2.6 Dividend policy

As our Company is an investment holding company, our ability to pay dividends is dependent upon the dividends received from our subsidiaries. The payment of dividends by our subsidiaries is dependent upon their distributable profits, financial performance and cash flow requirements for operations and capital expenditures.

It is the intention of our Board to recommend and distribute dividends to the shareholders of our Company in the future. Any interim dividends declared will be subject to recommendation of our Board and any final dividends declared will be subject to approval of our shareholders at our general meeting.

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

(i) our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;

(ii) operating cash flow requirements;

(iii) our expected financial performance;

(iv) any restrictive covenants contained in our future financing arrangements;

(v) the availability of adequate reserves and cash flows; and

(vi) any material impact of tax laws and regulatory requirements.

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3. INFORMATION OF OUR GROUP

3.1 Incorporation and history of our Group

Our Company was incorporated on 5 March 2019 in Malaysia under the Act as a private limited company under the name of ACE Innovate Asia Sdn Bhd. On 19 June 2019, we were converted into a public limited company to facilitate the listing of our Group on the LEAP Market of Bursa Securities. Our Company is principally an investment holding company, whilst our subsidiaries, ACE Assay, ACE Capital and ACE Global are principally involved in gold bullion trading and related activities.

Our Group's history can be traced back to the incorporation of ACE Capital by our present CEO, Go Yoong Chang and 6 other shareholders, namely Kee Wee Chong, Lim Ting Li, Kee Seow Yu, Kee Wee Chuan, Tan Sze Yee and Andy Lim Cheng Hoe, in 2009.

ACE Capital was a dormant company up until 2011 when we commenced our business in gold bullion trading. Go Yoong Chang was appointed as CEO of ACE Capital in 2011 while Kua Kee Koon was appointed as COO of ACE Capital in 2012. In October 2011, Lim Ting Li, Kee Seow Yu, Kee Wee Chuan, Tan Sze Yee and Andy Lim Cheng Hoe ceased to be shareholders of ACE Capital, while Ong Li Ling and Lim Choon Hui became the shareholders of ACE Capital. Lim Choon Hui subsequently sold his shares to Go Yoong Chang in 2016.

Our business commenced with the trading of scrap gold bars. Scrap gold bars were sent to a third-party laboratory for assaying, before they were sold locally or exported to our customers in Singapore.

In 2015, we expanded our range of products to include cast gold bars when we began trading with a Singapore company headquartered in Bangkok, Thailand. Subsequently, we began purchasing cast gold bars from other local bullion traders and international bullion traders and/or refineries in the same year. We also established trading relationships with some of these international bullion traders and/or refineries and obtained margin trade facilities from them. Margin trade facilities are facilities offered to us for the trading of gold by allowing us to pay a fraction of the total transaction value (i.e., margin) as opposed to full settlement.

With the implementation of GST in 2015 we were required to apply for the Approved Traders Scheme in order to enjoy the suspension of GST payable on imported investment precious metals such as cast gold bars at the point of importation. We thus reduced imports of cast gold bars between 2016 and the 1st half of 2018 as we were awaiting approval as an eligible company under the Approved Traders Scheme. This approval is no longer required subsequent to the implementation of SST in 2018.

ACE Global was incorporated in 2015 and commenced the development of an in-house online gold trading platform named GTP Easy platform in 2016. GTP Easy platform enables our customers and suppliers to view gold trading prices in real-time as well as purchase and sell physical gold products from/to us. The GTP Easy platform was officially launched in 2017.

ACE Assay was incorporated in 2017 to undertake assaying of recycled gold that we purchased. We established our own gold assaying facility and employed a licenced chemist registered with the Malaysian Institute of Chemistry, namely Loo Shai Men.

We began participating as a market maker for Bursa Malaysia Derivatives Gold Futures Contract in 2017 and PT Bursa Komoditi dan Derivatif Indonesia in 2018.

In the 2nd half of 2018, we increased the import of cast gold bars after the zerorisation of GST and implementation of SST in Malaysia. It was then when we began to practise hedging through paper gold trades. In the same year, we also expanded our product range to include minted gold bars, which we sold via third-party e-commerce platforms such as Lazada and Shopee.

We attained Shariah compliance from Salihin Shariah Advisory Sdn Bhd in 2018 for our gold trading transactions in relation to physical gold products as well as the terms and conditions, standard operating procedures and documentation relating to our gold trading. This has allowed us to tap into the Muslim investor community.

3.2 Key milestones and achievements

Year	Events
2009	Incorporated ACE Capital
2011	Commenced business in gold bullion trading of scrap gold bars
2015	• Expanded product range to include cast gold bars • Incorporated ACE Global
2016	ACE Global commenced the development of GTP Easy Platform
2017	• GTP Easy platform was launched • Incorporated ACE Assay • Established gold assaying facility • Began participating as a market maker for Bursa Malaysia Derivatives Gold Futures Contract
2018	• Began practicing hedging through paper gold trades • Expanded product range to include minted gold bars • Attained Shariah compliance from Salihin Shariah Advisory Sdn Bhd* for our gold trading transactions in relation to physical gold products as well as the terms and conditions, standard operating procedures and documentation relating to our gold trading • Began participating as a market maker for PT Bursa Komoditi dan Derivatif Indonesia

Note:

* *Salihin Shariah Advisory Sdn Bhd is a registered Shariah adviser with the Securities Commission Malaysia. As a registered Shariah adviser, Salihin Shariah Advisory Sdn Bhd advises on all Shariah-based products and services regulated by the Securities Commission Malaysia and qualified to be appointed as a Shariah adviser.*

3.3 Acquisitions

To facilitate our Proposed Listing, we have undertaken the Acquisitions, which were completed on 24 June 2019:

(i) Acquisition of ACE Assay

Our Company entered into the ACE Assay SSA to acquire 100% equity interest in ACE Assay for a purchase consideration of RM3 satisfied via issuance of 60 new AIAB Shares at an issue price of RM0.05 each.

The purchase consideration of RM3 for the Acquisition of ACE Assay was arrived at after taking into consideration its issued share capital of RM3 as at 31 December 2018.

The Vendor of ACE Assay and the number of AIAB Shares issued to ACE Dynamic are as follows:

	No. of ACE Assay shares acquired	**% of issued share capital in ACE Assay**	**Purchase consideration (RM)**	**No. of AIAB Shares issued**
Go Yoong Chang	3	100.00	3	-
ACE Dynamic*	-	-	-	60
Total	**3**	**100.00**	**3**	**60**

3. INFORMATION OF OUR GROUP *(CONT'D)*

Note:

* *Pursuant to the ACE Assay SSA, Go Yoong Chang has nominated ACE Dynamic to receive all new AIAB Shares allocated pursuant to the Acquisition of ACE Assay. ACE Dynamic is an investment holding company. Please refer to Section 7.1(i) of this Information Memorandum for further details on ACE Dynamic.*

(ii) Acquisition of ACE Capital

Our Company entered into the ACE Capital SSA to acquire 100% equity interest in ACE Capital for a total purchase consideration of RM13,051,547 satisfied via issuance of 261,030,939 new AIAB Shares at an issue price of RM0.05 each.

The total purchase consideration of RM13,051,547 for the Acquisition of ACE Capital was arrived at after taking into consideration its audited NA of RM13,051,519 as at 31 December 2018.

The Vendors of ACE Capital and the number of AIAB Shares issued to ACE Dynamic are as follows:

	No. of ACE Capital shares acquired	% of issued share capital in ACE Capital	Purchase consideration (RM)	No. of AIAB Shares issued
Go Yoong Chang	600,000	60.00	7,830,929	-
Ong Li Ling	200,000	20.00	2,610,309	-
Kee Wee Chong	200,000	20.00	2,610,309	-
ACE Dynamic*	-	-	-	261,030,939
Total	**1,000,00**	**100.00**	**13,051,547**	**261,030,939**

Note:

* *Pursuant to the ACE Capital SSA, the Vendors of ACE Capital have nominated ACE Dynamic to receive all new AIAB Shares allocated pursuant to the Acquisition of ACE Capital. ACE Dynamic is an investment holding company. Please refer to Section 7.1(i) of this Information Memorandum for further details on ACE Dynamic.*

(iii) Acquisition of ACE Global

Our Company entered into the ACE Global SSA to acquire 100% equity interest in ACE Global for a total purchase consideration of RM100 satisfied via issuance of 2,000 new AIAB Shares at an issue price of RM0.05 each.

The total purchase consideration of RM100 for the Acquisition of ACE Global was arrived at after taking into consideration its issued share capital of RM100 as at 31 December 2018.

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3. INFORMATION OF OUR GROUP *(CONT'D)*

The Vendors of ACE Global and the number of AIAB Shares issued to ACE Dynamic are as follows:

	No. of ACE Global shares acquired	% of issued share capital in ACE Global	Purchase consideration (RM)	No. of AIAB Shares issued
Go Yoong Chang	63	63.00	63	-
Kua Kee Koon	16	16.00	16	-
Fong Pok Yee	10	10.00	10	-
Leong Weng Fai	5	5.00	5	-
Liew Kim Fung	5	5.00	5	-
Careen Tan Kai Lin	1	1.00	1	-
ACE Dynamic*	-	-	-	2,000
Total	**100**	**100.00**	**100**	**2,000**

Note:

* *Pursuant to the ACE Global SSA, the Vendors of ACE Global have nominated ACE Dynamic to receive all new AIAB Shares allocated pursuant to the Acquisition of ACE Global. ACE Dynamic is an investment holding company. Please refer to Section 7.1(i) of this Information Memorandum for further details on ACE Dynamic.*

3.4 Shareholding structure

Our shareholding structure before and after our Proposed Listing is as follows:

	Before Proposed Listing		After Proposed Listing	
	No. of Shares	%	No. of Shares	%
Promoters / substantial shareholders	261,033,000	100.00	261,033,000	87.00
Sophisticated Investors	-	-	39,000,000	13.00*
Total	**261,033,000**	**100.00**	**300,033,000**	**100.00**

Note:

* *At least 10% of our enlarged issued share capital of 300,033,000 Shares will be held by public Sophisticated Investors pursuant to Rule 3.03 of the Listing Requirements.*

As at the date of this Information Memorandum, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital.

3.5 Original cost of investment

Details of the original cost of investment of our shareholder in our Company is as follows:

Shareholder	Date(1)	Cost of investment per Share (RM)	No. of Shares	%(2)
ACE Dynamic	8 May 2019	0.05	261,033,000	100.00

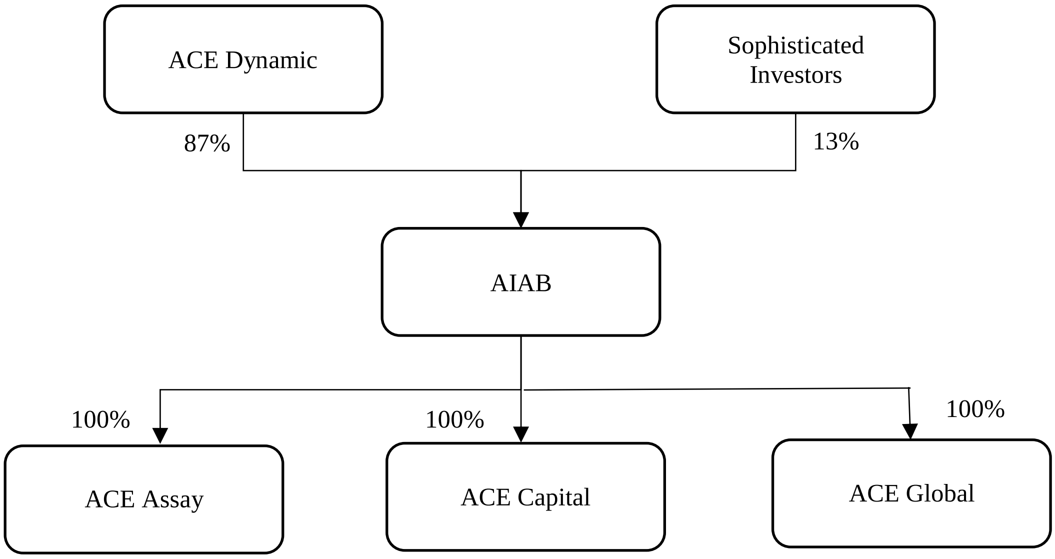
Notes:

(1) *Based on the date of the SSAs.*

(2) *Based on our existing issued share capital of 261,033,000 Shares.*

3.6 Subsidiaries and associated companies

The following diagram depicts the corporate structure of our Group:



As at the date of this Information Memorandum, our subsidiaries are as follows:

Subsidiaries	Date / Country of incorporation	Date of commencement of business	Issued share capital (RM)	Effective equity interest (%)	Principal activities
ACE Assay	21 April 2017, Malaysia	17 July 2017	3	100.00	Technical testing and analysis, assaying and refining of precious metals
ACE Capital	26 November 2009, Malaysia	4 November 2011	1,000,000	100.00	Trading in precious metals
ACE Global	7 January 2015, Malaysia	18 March 2016	100	100.00	Developing information technology, dealing and trading in providing ICT services and consultancy, deal, trade, and provide software research and development businesses

As at the date of this Information Memorandum, we do not have any associated company.

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4. BUSINESS OVERVIEW

4.1 Principal activities

We are a gold bullion trader based in Malaysia.

We are principally involved in bullion trading of physical gold products (i.e. scrap gold bars, cast gold bars and minted gold bars). In addition to our principal activities, we are also involved in the provision of assaying services as well as participate as a market maker for Bursa Malaysia Derivatives Gold Futures Contract and PT Bursa Komoditi dan Derivatif Indonesia.

Our business segments are summarised in the diagram below:

Business segment	Bullion trading of physical gold products			Provision of related products and services	
Products/ Services	Scrap gold bars	Cast gold bars	Minted gold bars	Assaying services	Market maker
Revenue model	Sales of physical gold products			Service fee on a per sample basis	Commission fee

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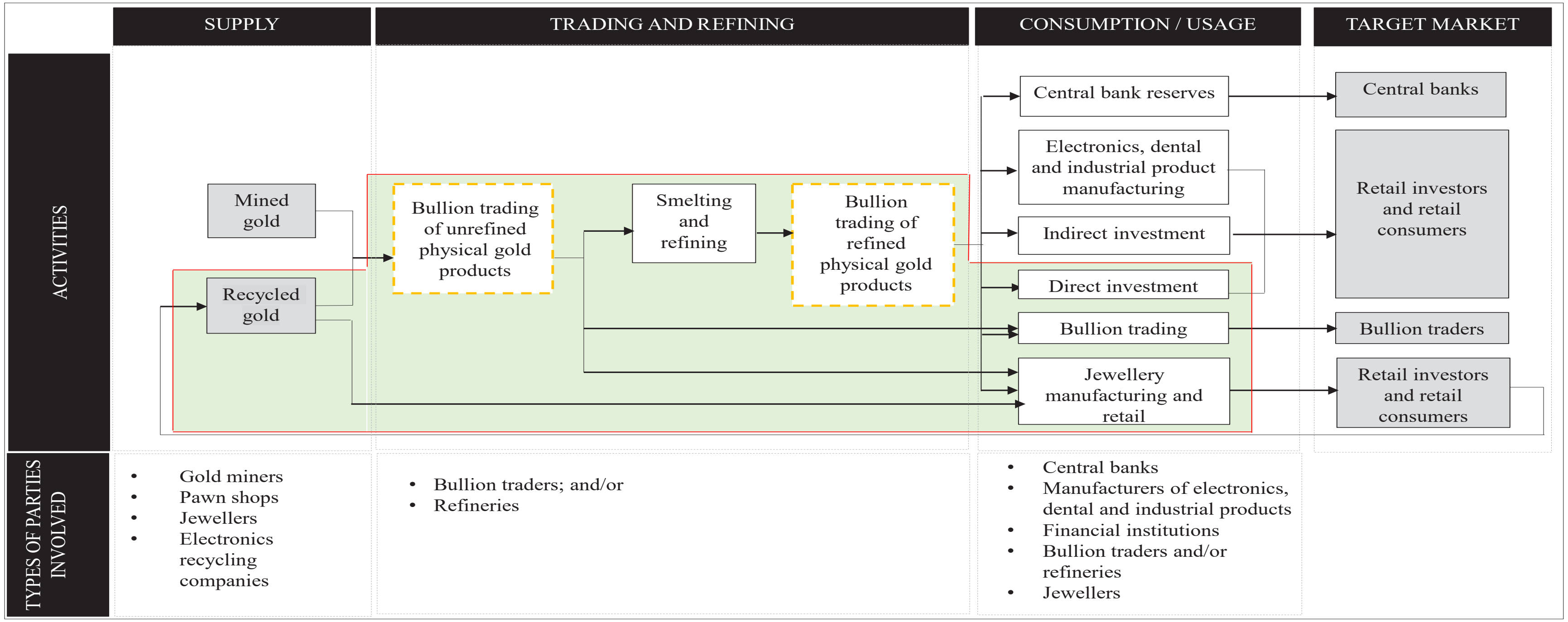
(i) Provision of physical gold products

Our Group distributes unrefined physical gold products (i.e. scrap gold bars) to local and international bullion traders and/or refineries and jewellers, as well as refined physical gold products (i.e. cast gold bars and minted gold bars) to local and international bullion traders and/or refineries, jewellers, retail investors and retail consumers. Our role as a gold bullion trader is as illustrated in the diagram below:



Notes:

Depicts the segments which we are principally involved in.

Depicts the segments in which our Group as well as our customers and suppliers are involved.

Further information on the gold industry value chain are illustrated in Section 6 of this Information Memorandum.

The physical gold products we distribute are as follows:

Product	Description	Customer segment
Scrap gold bars* 	Scrap gold bars are unrefined physical gold products. They are formed by melting recycled gold to form bar shapes.	(i) Local and international bullion traders and/or refineries for smelting and refining, and for bullion trading (ii) Jewellers for jewellery manufacturing
Cast gold bars* 	Cast gold bars are refined gold bars produced by refineries. They are in the form of bars and carry simple designs. The cast gold bars we trade include LBMA cast gold bars.	(i) Local and international bullion traders and/or refineries for bullion trading (ii) Jewellers for jewellery manufacturing or onward sale to retail investors / retail consumers (iii) Retail investors for direct investment
Minted gold bars* 	Minted gold bars are refined gold bars that have intricate aesthetic designs, come in different weights and sizes and are typically marked with details such as the manufacturer's name, weight, purity and serial number. We currently sell Istanbul Gold Refinery branded minted gold bars between 1 gram and 10 grams, and between 1 dinar and 5 dinar.	Retail investors and retail consumers

Note:

* *Pictures are for illustrative purposes only.*

(ii) Provision of related products and services

Our Group also offers the following related products and services:

- Provision of assaying services

  Assaying is the analysis of gold composition in order to determine the purity of a physical gold product. We have our own gold assaying facility and employ a licenced chemist registered with the Malaysian Institute of Chemistry, who has over 13 years of experience in gold assaying.

  While our gold assaying facility is mostly utilised to perform testing and analysis on physical gold products that we purchase, we also offer our assaying services to other bullion traders and jewellers.

- Market maker on stock exchanges

  We participate as a market maker for the Bursa Malaysia Derivatives Gold Futures Contract since 2017 and PT Bursa Komoditi dan Derivatif Indonesia since 2018.

4.2 Revenue model

Our revenue streams from the abovementioned business segments are as detailed below:

(i) Provision of physical gold products

- Sale of physical gold products to bullion traders and/or refineries, jewellers, retail investors and retail consumers i.e.:

  (a) Scrap gold bars;
  (b) Cast gold bars; and
  (c) Minted gold bars

(ii) Provision of related products and services

- Service fee from the provision of assaying services. We charge jewellers and bullion traders for assaying services to determine the gold purity of their purchased or sold physical gold products. Our assaying services are charged on a per sample basis.

- Commission fee to be earned as a market maker is co-related with transactions made on Bursa Malaysia Derivatives Gold Futures Contract and PT Bursa Komoditi dan Derivatif Indonesia. As at the LPD, we have not received any commission as there has not been any significant trading volume.

4.3 Principal markets

Our revenues are currently derived from Malaysia and Singapore in the past 2 FYEs 2017 and 2018 as follows:

	FYE 2017		**FYE 2018**	
	RM'000	**%**	**RM'000**	**%**
Malaysia	49,652	8.78	688,368	63.23
Singapore	515,814	91.22	400,361	36.77
Total	**565,466**	**100.00**	**1,088,729**	**100.00**

4.4 Sales channels and marketing strategies

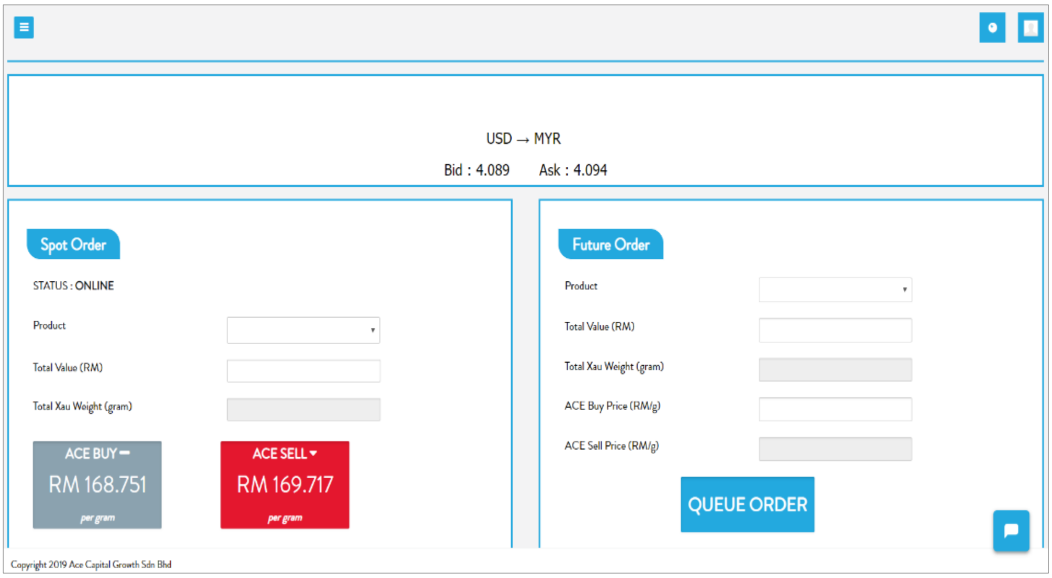
<u>**Sales channels**</u>

All our sales efforts are carried out by our operations team through the following means:

(i) GTP Easy platform

Our sales of scrap gold bars and cast gold bars are carried out via GTP Easy platform. GTP Easy platform provides live gold prices of gold per gram and comes with trading features, and connects us to our customers and suppliers by allowing them to access live gold prices as well as purchase and sell physical gold products from/to us with ease.

Our GTP Easy platform interface is as illustrated below:



Our GTP Easy platform allows our customers to perform transactions at live gold prices between 8:30 a.m. to 11:59 p.m. during weekdays and public holidays as well as 10:00 a.m. to 4.59 p.m. during weekends. The features of our GTP Easy platform are as follows:

- mobile device compatibility, which allows our customers to trade at any time and place using their mobile devices
- order placement
- SMS and email notification for order confirmation
- integration with our ERP system
- ability to detect gold price movement or exchange rate feed connection loss

(ii) International bullion traders and/or refineries' trading platform

We also sell scrap gold bars and cast gold bars to international bullion traders and/or refineries via their online trading platforms. These online trading platforms are set up and managed by international bullion traders and/or refineries to purchase and sell physical gold products.

(iii) E-commerce platforms

We sell minted gold bars via e-commerce websites such as Lazada and Shopee to reach out to the mass consumer market. These e-commerce platforms enable us to reach out to potential customers. In addition, we incur minimal costs to maintain our presence on these platforms. For Shopee, we provide delivery services of the purchased products to our customers through our trusted courier partners within Malaysia. As for Lazada, the delivery services of products purchased by our customers are handled by Lazada.

<u>Marketing strategies</u>

Meanwhile, we market our products and business through the following means:

(i) Social media platforms

We maintain a profile on social media platforms such as Facebook, Instagram, Twitter, Mudah.my and YouTube to interact with our customers. We update our profiles on these platforms to keep our customers abreast on product information and events.

(ii) Personal and professional referrals

We have, over the years, established long-term business relationships with our customers through the delivery of our quality products and services. Our customers, based on their previous dealings with us, routinely refer new business to us through 'word of mouth'. We will continue to cultivate loyalty and goodwill with our existing customers.

(iii) Seminars, events, trade fairs and exhibitions

During the past 2 FYEs 2017 and 2018 and up to the LPD, we have participated in the following seminar/events/trade fairs and exhibitions:

Date	Seminars / Events / Trade Fairs and Exhibitions	Organiser	Location
8 July 2017	BMD FGLD Strive for Wealth Event 8	Bursa Malaysia Derivatives Berhad	Bursa Securities Headquarters
7 July 2018	Phillip Capital 9th Annual Investment Conference 2018	Phillip Capital Management Sdn Bhd	Berjaya Times Square Hotel
16 October 2018	Penang Signature Gold Fair 2018	Elite Expo Sdn Bhd	Straits Quay Convention Center
8 November 2018	Looking into the GOLDen Futures in Malaysia	Kenanga Investment Bank Berhad	Webinar
10 January 2019	Briefing Session: BMD Gold Futures and EFRP	Kenanga Investment Bank Berhad	Kenanga Tower

We believe such seminars/events/trade fairs and exhibitions allow us to create market awareness, and generate interest on gold investment products amongst retail investors. Greater consumer confidence towards physical gold products as an investment would, in turn, support the growth of the gold industry. In addition, we also believe that by sharing our knowledge and expertise in these seminars/events/trade fairs and exhibitions, we will build our reputation amongst retail investors and retail consumers. Thus, this would encourage the sales of minted gold products to retail investors and retail consumers through e-commerce platforms. We also participate in trade fairs and exhibitions to meet prospective suppliers and customers in order to build our network.

(iv) Corporate website

We have our own corporate website at www.ace2u.com which provides searchable information on our Group and details of our physical gold products.

4.5 Competitive strengths

We believe that our historical successes and future prospects are underpinned by the following competitive strengths:

(i) We have an experienced team with the expertise and technical know-how in gold bullion trading

We have an established track record of 8 years and as a result, we have garnered technical know-how in gold bullion trading in terms of determining live gold prices as well as trading physical and paper gold to hedge our purchase and sale of physical gold products. This knowledge is critical in allowing us to manage our profit margins while offering attractive prices to our customers.

We are also led by committed Executive Directors and key management personnel with experience in their respective fields. On average, a majority of our Executive Directors have 5 years of experience in the gold industry and have established and built good business relationships with international bullion traders and/or refineries, pawn shops and jewellers.

(ii) We have developed an in-house online trading platform, namely GTP Easy

GTP Easy platform was made available to our customers and suppliers in 2017. The platform allows our customers and suppliers to purchase and sell gold at live prices from/to us. In the past, our customers and suppliers would mainly contact us via calls to obtain pricing and give instructions on whether to purchase or sell gold on their behalf. This was time-consuming and miscommunications happen frequently, and transactions had a daily cut-off time. With our GTP Easy platform, our customers and suppliers can perform transactions at live prices between 8:30 a.m. to 11:59 p.m. during weekdays and public holidays as well as 10:00 a.m. to 4:59 p.m. on weekends. Another benefit of GTP Easy platform is mobile device compatibility, which allows our customers to trade at any time and place using their mobile devices. Other features of the system include order placement, SMS and e-mail notification for order confirmation, integration with our ERP system, as well as the ability to detect connection loss in gold price feed or exchange rate feed.

The GTP Easy platform allows transactions to go through in real-time. Further, it will cater for scalability as our business expands.

(iii) We work with an established network of international bullion traders and/or refineries

We have established good working relationships with international bullion traders and/or refineries in Singapore. Due to the nature of the gold bullion trading business, these international bullion traders and/or refineries require us to meet their "know-your-customer" requirements, and a bullion transaction agreement has been signed with some of these international bullion traders and/or refineries based in Singapore for the sale and purchase of physical gold products and paper gold trades. Our good working relationship with these international bullion traders and/or refineries have allowed us to garner competitive pricing when procuring physical gold products. We are also able to project live gold prices on our GTP Easy platform based on a collation of live gold prices from a few international bullion traders and/or refineries. In order to do so, we have implemented application programming interfaces to collate and port live gold price data from these international bullion traders and/or refineries.

Further, we have also established trading relationships with 4 international bullion traders and/or refineries in Singapore and obtained margin trade facilities from them, which allow us to pay a fraction of the total transaction value (i.e. margin) as opposed to full settlement. This will ease our cash flow and maximise the capital used for our gold bullion trading.

We continue to maintain good business relationships with these international bullion traders and/or refineries to ensure long-term profitability of our Group.

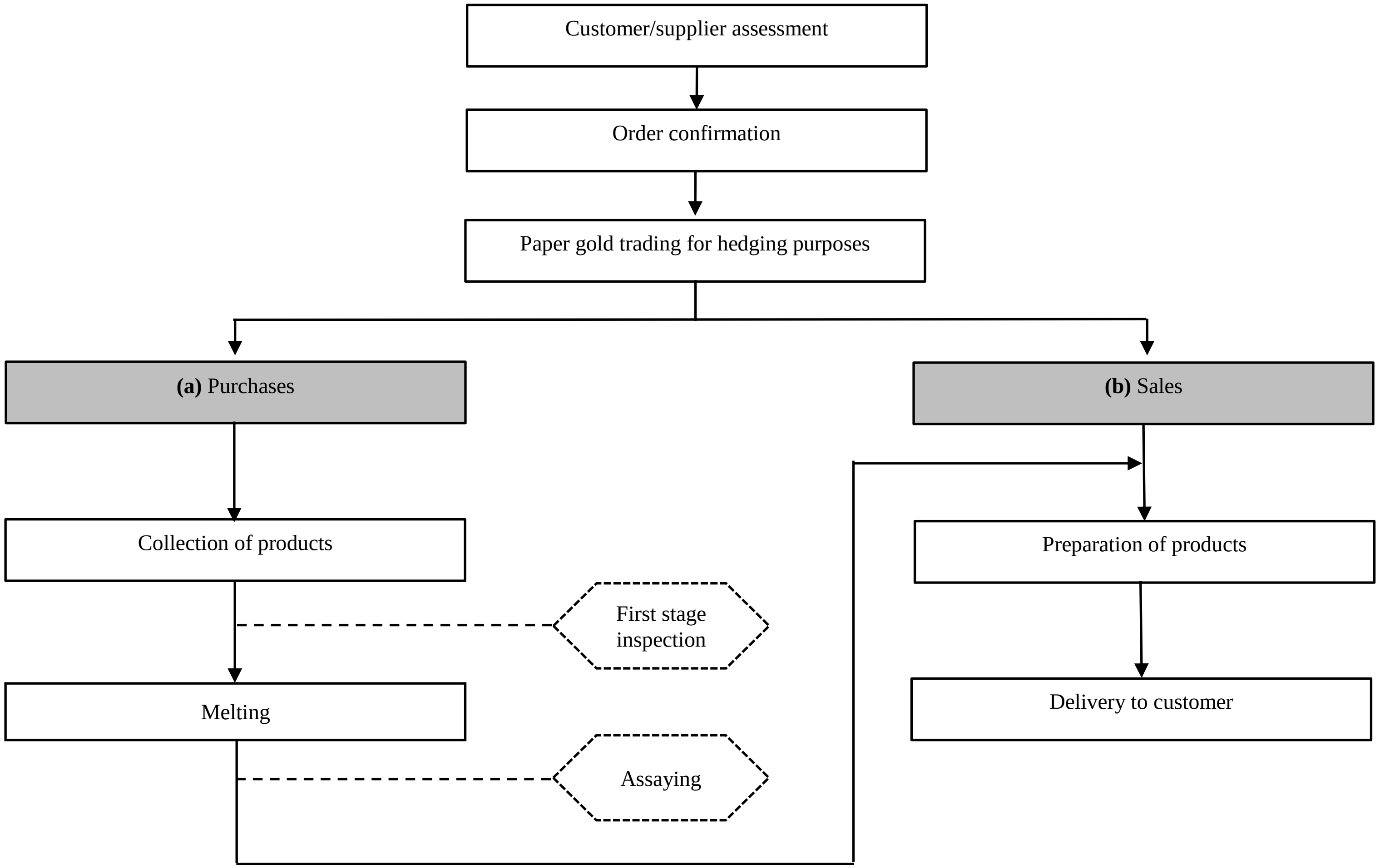
(iv) We have our own gold assaying facility

All physical gold products purchased are sent to our gold assaying facility for assay analysis to determine the purity of the physical gold products, and results are provided to suppliers before a final settlement. The assay analysis is conducted in our gold assaying facility and led by our chief chemist, a registered member with the Malaysian Institute of Chemistry.

It is essential that the samples received from our suppliers are accurately assessed as it ensures that there is no significant variance in the purity level of gold purchased as a shortfall in purity level will cause our Group to sustain substantial losses. As at the LPD, gold closed at RM181.04 per gram. Further, our capability of conducting assay test in-house allows us to obtain the test results in a short period of time, which helps us to reduce the time taken in the purchase and sale of scrap gold bars.

4.6 Process flow

The stages/processes of our business operations are as depicted below:



We purchase and sell gold bars from:

(i) Local and international bullion traders and/or refineries;
(ii) Jewellers; and
(iii) Retail investors and retail customers.

As such, the customers of our Group can be our suppliers and vice versa.

(i) Customer/supplier assessment

Our team will perform a customer/supplier assessment on our new customers and suppliers. The screening can be described as a customer/supplier due diligence process, where the customer/supplier's identity is verified and assessed for any potential risks in order to protect us against fraud and losses. During this process, we will collect and assess information on customers/suppliers including the nature of their business, location of business and business reputation. After the assessment, a new account will be created for our approved customers/suppliers and we will periodically monitor for any abnormal or suspicious transactions.

(ii) Order confirmation

Our customers and suppliers are able to use the following channels to purchase and sell physical gold products based on our live gold prices per gram:

- GTP Easy platform for the purchase and sale of scrap gold bars and cast gold bars
- International bullion traders and/or refineries' trading platforms for the sale of scrap gold bars and cast gold bars
- E-commerce websites such as Lazada and Shopee for the sale of minted gold bars.

Once we receive an order, a purchase or sale order will be generated accordingly.

(iii) Paper gold trading for hedging purposes

We use paper gold trades mainly to hedge our gold pricing as soon as we receive confirmed orders to minimise price fluctuation risks on our trades. Our dealing team will hedge our gold price through paper gold trades on international bullion traders and/or refineries' gold trading platforms. An opposite paper transaction/position will be entered for each of the purchase and sale order. For instance, 1 kilogram of purchase (long) order which increased our gold holdings will be hedged against 1 kilogram of sell (short) position through paper gold trades. This is to establish hedging positions to eliminate the price risks and protect our margins. As at the LPD, this process does not apply for orders received via e-commerce platforms for minted gold bars.

Thereafter, the execution processes for purchase order (a) and sales order (b) are described separately as follows:

(a) Process for purchases

The products that we procure are recycled gold, scrap gold bars, cast gold bars or minted gold bars, and these products are typically procured from local bullion traders, international bullion traders and/or refineries, pawn shops and jewellers.

(i) Collection of products

Upon confirmation of the price and amount of physical gold products, our sales team will then prepare for collection. The route will be planned ahead of time.

For local transits, our personnel will collect physical gold products within Peninsular Malaysia using our bullet-proof vehicle during the collection of products. The value of products collected must not exceed RM1.7 million per team.

For international transits, our personnel will be escorted by 1 armed guard supplied by our appointed professional security service provider during the transit within Malaysia. This is to ensure the safety and security of our staff and products.

During the collection, our personnel will perform the first stage inspection (details are as elaborated in Section 4.7(i) of this Information Memorandum).

Approximately 80%-90% of the value of the recycled gold purchased is paid upon our collection. Our Board is of the opinion that this is adequate to cover for any potential shortfall in gold purity as based on past transactions, the shortfall in gold purity from gold supplied to us has never been more than 10% of the outstanding amount due to the supplier. We will pay the remaining 10%-20% outstanding amount due to the supplier upon confirmation on the test results of the gold purity by our chief chemist.

(ii) Melting

Next, the recycled gold will be sent to our gold assaying facility for melting and assaying. Upon receipt of the recycled gold at our gold assaying facility, the products will be weighed for our record. Thereafter, the recycled gold will be melted into scrap gold bars and cooled in water. A small amount will then be cut as a sample for assaying. This process is not applicable for scrap gold bars, cast gold bars and minted gold bars.

The sample will be assayed by our gold assaying facility (details are as elaborated in Section 4.7(ii) of this Information Memorandum). The results will be approved by our chief chemist and released to our operation team. Our operation team will report the test results to our supplier to inform the gold purity for this batch of purchases. Any shortfall in gold purity will have to be compensated by our supplier in terms of value. In the event our supplier fails to compensate for the shortfall in gold purity, we will not proceed with the payment of the remaining 10%-20% outstanding amount due to the supplier.

(b) Process for sales

We sell scrap gold bars, cast gold bars and minted gold bars.

(i) Preparation of products

Upon confirmation of the price and amount of the physical gold products, the products ordered by customers will be prepared by our operation team according to the sales order. For orders of scrap gold bars, we will only prepare scrap gold bars that have been certified through assay test to ensure we maintain quality and consistency. As for cast gold bars and minted gold bars, deliveries will be performed after they have been imported or sourced from our suppliers. For the abovementioned products, weighing is required prior to delivery to ensure that the amount matches order specification. For export of our products, a packing list is prepared.

(ii) Delivery

For local deliveries, the physical gold products will be delivered by our personnel using our bullet-proof vehicle. Whilst for export sales, our personnel will personally deliver the products by air to our customers.

We undertake appropriate security measures to ensure safe delivery of products to the destination and safety of our staff. Similar to the collection process for physical gold products, our personnel will deliver physical gold products within Peninsular Malaysia using our bullet-proof vehicles. The value of products delivered will not be more than RM1.7 million per team.

For international transits, our personnel will be escorted by 1 armed guard supplied by our appointed professional security service provider during the transit within Malaysia.

As for e-commerce sales, the products are delivered via third-party courier services and insured by third-party insurance.

4.7 Quality assurance and control procedures

Since commencement of our operations, our Group has placed emphasis on the quality of our products and is committed to ensuring a consistent and reliable supply to our customers. We have established and implemented the following quality control measures for our business activities:

(i) Inspection of products before payment

For recycled gold, a quality control inspection will be carried out by our personnel on the spot of collection, whereby the recycled gold will be weighed and tested using a portable gold tester or acid test to determine the gold purity. This is to ensure that the gold amount and purity correspond to our purchases. If the amount and test results match the order specifications, our personnel will acknowledge the purchase, make payment and deliver the products to our office. Before transferring the recycled gold into the safe in our office, weighing process will be conducted again to ensure there is no loss during transit. Also, when the recycled gold arrives at our gold assaying facility for melting, the products will be weighed again for confirmation.

Cast gold bars and minted gold bars do not require any inspection.

(ii) Assaying test (Cupellation method)

Our gold assaying facility will perform testing to confirm the gold purity in detail using the Cupellation method. We use the Cupellation method, otherwise known as fire assay, which is a refining process in metallurgy, where ores and alloyed metal are treated under very high temperatures and have controlled operations to separate noble metals like gold and silver from base metals like lead, copper or zinc, present in the ore. The sample will be marked with a code and report number for reference purposes.

The Cupellation method is carried out as follows:

1. Firstly, 0.1 gram to 0.2 gram of sample will be weighed to the nearest 10 micrograms.
2. The sample will be wrapped in lead foil together with silver and then copper will be added to the sample.
3. The cupel will be preheated in the muffle furnace at 800 °C for 15 minutes.
4. The sample will then be placed in the preheated cupel in the muffle furnace and heated at 1,100°C for 30 minutes, then rested at room temperature.
5. Next, the sample will be cleaned, following which it is annealed at 800 °C for 10 minutes.
6. Subsequently, the sample will be removed from the furnace and flattened so that a thin strip with a thickness of approximately 0.2 millimetres is formed.
7. The sample will be reheated again to reform it in to a coil-shaped strip.
8. Next, the sample will be placed in a container and boiled with nitric acid for 20 minutes and followed by another 20 minutes of boiling in nitric acid again to extract the impurities.
9. After the extraction, the sample will be cleaned with hot distilled water.
10. The sample will be allowed to dry and annealed to a compact form at 800 °C. Next, it will be weighed.
11. Lastly, the gold purity can be determined and recorded in the report. The report and sample will be stored in a safety box pending for collection.

4.8 Technology capabilities

We maintain a technical team to manage and operate our GTP Easy platform using the following technology:

(i) Programming language – we use Java and JavaScript to develop and update our GTP Easy platform. These programming languages can be used on any platform and easy to deploy;

(ii) Algorithms – to collate price data from online platforms of key international bullion traders and/or refineries to determine live gold prices;

(iii) Application programming interface:

- to port data (particularly live gold prices) from international bullion traders and/or refineries' online platforms; and

- to integrate with our ERP software, where orders confirmed via GTP Easy platform will be recorded in our ERP software; and

(iv) Dynamic link library, which allows access to foreign exchange rates from financial data provider(s).

4.9 Major customers

Our customers which accounted for 10% or more of our revenue in the FYE 2017 and FYE 2018 are as follows:

Customers	FYE 2017		Products sold	Length of business relationship as at the LPD
	RM'000	%		
International Bullion Trader A*(1)*	302,807	53.55	Scrap gold bars, Cast gold bars	3 years
International Bullion Trader B*(2)*	68,584	12.13	Cast gold bars	4 years

Customers	FYE 2018		Products sold	Length of business relationship as at the LPD
	RM'000	%		
Metalor Technologies (Singapore) Pte Ltd	203,694	18.71	Scrap gold bars	3 years
Kaloti Jewellery International (Singapore) Pte Ltd	177,799	16.33	Scrap gold bars	8 years
Hup Seng Goldsmiths	156,902	14.41	Scrap gold bars, Cast gold bars	1 years
Kopatha Bullion Sdn Bhd	128,286	11.78	Cast gold bars	3 years

Notes:

(1) A company based in Singapore which is involved in among others, the trading of precious metals and operates as a subsidiary of a company listed on the Nasdaq Stock Market.

(2) A company based in Singapore which is involved in among others, the trading of precious metals. It is headquartered in Bangkok, Thailand.

International Bullion Trader A and International Bullion Trader B were our major customers in 2017 as we had higher export volume due to high demand from Singapore for our products. However, they were our major suppliers in 2018 due to the higher local demand which was attributed to the increase in local customer base as a result from the marketing activities organised by our sales team as well as participation in various jewellery fairs and/or trade shows *(Please refer to Section 9.2 of this Information Memorandum for further details on our revenue breakdown).*

We have a diversified customer base consisting of local bullion traders, international bullion traders and/or refineries, jewellers, retail investors and retail consumers. While some of these customers may contribute more than 10% of our total revenue, our Board is of the opinion that we are not dependent on any of our major customers, due to our wide customer base.

4.10 Major suppliers

Our suppliers which accounted for 10% or more of our physical gold products purchased for the FYE 2017 and FYE 2018 are as follows:

Suppliers	FYE 2017		Products purchased	Length of business relationship as at the LPD
	RM'000	%		
Goricven Sdn Bhd	189,535	34.23	Scrap gold bars	4 years
Zue Bao Jewellery Sdn Bhd	61,587	11.12	Scrap gold bars, Cast gold bars	4 years

Suppliers	FYE 2018		Products purchased	Length of business relationship as at the LPD
	RM'000	%		
International Bullion Trader B[(1)]	328,988	30.57	Cast gold bars	4 years
International Bullion Trader A[(2)]	116,675	10.84	Cast gold bars	3 years

Notes:

(1) A company based in Singapore which is involved in among others, the trading of precious metals. It is headquartered in Bangkok, Thailand.

(2) A company based in Singapore which is involved in among others, the trading of precious metals and operates as a subsidiary of a company listed on the Nasdaq Stock Market.

In 2017, all of our cast gold bars were obtained from local suppliers pending the outcome of our application as Approved Traders Scheme in order to enjoy the suspension of GST payable on imports of cast gold bars (*Please refer to Section 3.1 of this Information Memorandum for more information on the Approved Traders Scheme*). However, this application is no longer required subsequent to the implementation of SST in 2018. As such, we resumed our purchase of cast gold bars from Singapore in the 2nd half of 2018 from several suppliers, including Independent Bullion Trader A and Independent Bullion Trader B, who were our major customers in the FYE 2017.

We are not dependent on any of our major suppliers for the purchase of scrap gold bars and cast gold bars as they can be widely sourced from other local and/or international suppliers.

4.11 Employees

A summary of our Group's total permanent workforce as at 31 December 2018 and as at the LPD is set out below:

	Number of permanent employees	
Categories	**As at 31 December 2018**	**As at the LPD**
Directors and key management personnel	6	6
Business development and sales and marketing	11	15
Finance, accounts, human resources and administration	8	9
Operations and project management	10	10
Information technology	3	1
Laboratory	2	2
Total	**40**	**43**

As at the LPD, we have 1 contractual employee.

None of our employees belong to any trade union. As at the LPD, there has not been any labour and/or industrial dispute involving our Group.

4.12 Seasonality

We do not experience any seasonality in our business as the demand for physical gold products is not subject to major seasonal fluctuations. However, our 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, global gold supply and consumption levels, as well as investment and trading activities in the market.

4.13 Interruptions to business

Our Group has not experienced any interruption to our business which had a significant effect on our operations during the past 12 months preceding the LPD.

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4.14 Properties

As at the LPD, we have rented the following properties for our Group's operations:

Landlord	Tenant	Address	Description of the premises	Existing use	Built-up area (square metre)	Monthly rental (RM)	Rental period
Prosper Kingdom Sdn Bhd	ACE Capital[(1)]	2nd Floor, 11A Jalan USJ 10/1D, 47620 Subang Jaya, Selangor	3-storey shop office	Office	164	1,200	Period of tenancy 2 years commencing from 1 March 2018 to 28 February 2020 Option to renew Renewable for a further period of 2 years
Lim Sak Nong and Kang Cheng Lan	Principal tenant Prima Merdu Sdn Bhd[(2)] Sub-tenant ACE Capital	No. 19-1 & 19-2, Jalan USJ 10/1D, 47620 Subang Jaya, Selangor	3-storey shop office	Office	312	3,000	Period of tenancy 3 years commencing on 1 August 2018 to 31 July 2021 Option to renew Subject to the principal tenant to renew the property with landlord
Gan Bee Cheng	ACE Assay[(3)]	No. 19, Jalan 2/131A (Ground Floor), Projek Jaya Industrial Estate, Off Jalan Klang Lama, 58200 Kuala Lumpur	4-storey shop-office	Laboratory for technical testing and analysis	153	2,100	Period of tenancy 1 year commencing from 1 May 2019 to 30 April 2020 Automatic renewal Will be renewed for a further period of 1 year commencing from 1 May 2020 to 30 April 2021 at a price of RM2,150

Notes:

(1) ACE Capital has irrevocably allowed ACE Global to utilise the office as its business premises at no cost.

(2) Prima Merdu Sdn Bhd and ACE Capital have entered into a sub-tenancy agreement dated 1 August 2018 in respect of the property.

(3) The landlord had on 31 May 2019 agreed to sell and ACE Capital had agreed to purchase the entire 4-storey shop office (including the Ground Floor where ACE Assay is currently tenanting) for a purchase consideration of RM2.6 million. Please refer to Section 5.1(x) of this Information Memorandum for further details.

As at the LPD, we own the following properties:

Registered owner	**Title/ Location**	**Tenure**	**Description of the premises**	**Existing use / category use of land**	**Land area (square metre)**	**Date of certificate of fitness / CCC**	**Encumbrances**	**Audited net book value as at 31 December 2018 (RM)**
ACE Capital	HS (M) 5387 PTD 41198, Mukim of Simpang Kanan, District of Batu Pahat, State of Johor <u>Postal address</u> No. 14, Jalan Tanjung Indah 1, Taman Tanjung Indah, 83000 Batu Pahat, Johor	Freehold	Single storey terrace house	<u>Existing use</u> Staff accommodation <u>Category of land use</u> Building	143	Confirmation letter from Majlis Perbandaran Batu Pahat dated 5 March 2019 that certificate of fitness has been issued	None	192,211
	Geran No. 253563 Lot No. 23228, City of Subang Jaya, District of Petaling, State of Selangor <u>Postal address</u> No. 62, Jalan USJ 5/1, 47600 Subang Jaya, Selangor	Freehold	Double storey terrace house	<u>Existing use</u> Staff accommodation <u>Category of land use</u> Building	167	19 October 1992	Charged to Malayan Banking Berhad	742,380

4.15 Licences, approvals, permit and other certificates

Our Board confirms that our Group has obtained all relevant approvals, licences and other certificates (and no permit required) necessary for our business and operations as at the LPD. As at the LPD, we hold the following licences, approvals and other certificates in relation to our Group's operations:

(i) Licences

Licensee	Licence no. / Reference no.	Issuing authority	Subject matter / purpose	Issue date	Expiry date	Major conditions imposed	Status of compliance
ACE Capital	Temporary business license[(1)] Reference no.: MPSJ/LES/600/03/04395-18	Subang Jaya Municipal Council	To temporary license ACE Capital's premises located at No. 19-1, Jalan USJ 10/1D, Subang Jaya, Selangor as management office and the advertisement board	13 February 2019	2 August 2019	None	Complied
ACE Global	Temporary business license[(1)] Reference no.: MPSJ/LES/600/03/03896-18	Subang Jaya Municipal Council	To temporary license ACE Global's premises located at No. 19-1, Jalan USJ 10/1D, Subang Jaya, Selangor as management office and the advertisement board	15 January 2019	13 July 2019	None	Complied
ACE Assay	Conditional business license Reference no.: DBKL.JPPP/KM01/1135/06 /2017	Kuala Lumpur City Hall	To license ACE Assay's premises located at No. 19, Jalan 2-131A (Ground Floor), Project Jaya Industrial Estate Batu 6, Jalan Klang Lama, 58200 as lab for lab testing services and the advertisement board	17 May 2019	13 June 2020	Please refer to note (2)	To be complied

Notes:

(1) Temporary business licence which is valid for a period of 6 months pursuant to By-law 16 of Licensing Trades, Businesses and Industries (Subang Jaya Municipal Council) By-Laws 2007 pending the final assessment on the application for business license.

(2) (a) to obtain the revised approved building plan from Building Control Department of Kuala Lumpur City Hall; and (b) to obtain planning review from City Planning Department of Kuala Lumpur City Hall. ACE Assay is required to obtain both the documents prior to the renewal of its business licence which will due on 13 June 2020. ACE Assay will obtain the revised approved building plan and planning review from Kuala Lumpur City Hal upon the completion of the purchase of the entire 4-storey shop office (include the Ground Floor where ACE Assay is currently tenanting) for a purchase consideration of RM2.6 million. Please refer to Section 5.1(x) of this Information Memorandum for further details.

(ii) Approvals

Description of approval	Issuing authority	Subject matter / purpose	Issue date	Commencement date	Expiry date	Major conditions imposed	Status of compliance
Bursa Malaysia Derivatives Gold Futures Contract	Bursa Malaysia Derivatives Berhad	ACE Capital to participate as a market maker for Bursa Malaysia Derivatives Gold Futures Contract	29 January 2018	1 January 2018	31 December 2019	None	Complied
Market Maker Agreement	PT Bursa Komoditi dan Derivatif Indonesia	ACE Capital to participate as a market maker for PT Bursa Komoditi dan Derivatif Indonesia	30 April 2018	30 April 2018	29 April 2020 and may be automatically extended if no termination notice is received by PT Bursa Komoditi dan Derivatif Indonesia	None	Complied

(iii) Certificates

Type of certificate	Authority/ Licensor	Description of the certificates	Date of issuance	Major condition imposed
Shariah Compliance Certificate	Salihin Shariah Advisory Sdn Bhd	To certify that the Gold Trading Business Module of ACE Global is Shariah compliant	6 July 2018	None
Annual Retention Certificate	Malaysian Institute of Chemistry	To certify ACE Assay's employee, Loo Shai Men who is registered under the Chemists Act 1975 (under Certificate of Registration no. M/2702/5435/08) and has been retained on the register of members of the Malaysian Institute of Chemistry until 31 December 2019	1 November 2018	None

(iv) Others

(a) The assaying process undertaken by ACE Assay involves the usage of chemicals such as nitric acid and gold melting furnace in ACE Assay's premises.

ACE Assay had on 21 March 2019 registered its operation as "*tempat kerja lain-lain sektor*" and submitted the required documents to Department of Occupational Safety and Health which was approved by Department of Occupational Safety and Health on 22 March 2019.

ACE Assay is only required to register with Department of Occupational Safety and Health for operating business. The Department of Occupational Safety and Health officer will visit ACE Assay's office as and when required or when complaint is received on the demised premises.

(b) The assaying process undertaken by ACE Assay will result in scheduled wastes and the release of fumes through the filtration system.

Pursuant to an inspection conducted on the premises of ACE Assay by Department of Environmental ("**DOE**") officers on 27 March 2019, ACE Assay had on 18 April 2019 received a notice in writing from the DOE ("**DOE Notice**") wherein ACE Assay is required to immediately to adopt any measure to reduce, mitigate, disperse, remove, eliminate, destroy or dispose of the pollution no later than 27 May 2019.

From the DOE Notice, ACE Assay is required to adopt the following measures to reduce, mitigate, disperse, remove, eliminate, destroy or dispose of pollution:

No.	Conditions Imposed	Compliance
1.	To furnish a notification of scheduled wastes which are generated under categories SW 206 (*Spent inorganic acids*) and SW 422 (*a mixture of scheduled and non-scheduled wast*es) as required under Regulation 3 of the Regulations for Scheduled Wastes Such notification shall be submitted through the 'Electronic Scheduled Waste Information System (eswis) at https://eswis.doe.gov.my	Complied
2.	To prepare adequate storage area for scheduled wastes as required under Regulation 9 of the Regulations for Scheduled Wastes.	Complied
3.	To display the date when the scheduled wastes are first generated, name, address and telephone number of the waste generator shall be clearly labelled on the containers that are used to store SW 206 and SW 422 as required under Regulation 10 (1) of the Regulations for Scheduled Wastes	Complied
4.	Containers for SW 206 and SW 422 shall be clearly labelled in accordance with the type applicable to them as specified in the First Schedule for identification and warning proposes as required under Regulation 10 (2) of the Regulations for Scheduled Wastes	Complied
5.	To keep up to date inventory for scheduled wastes being generated as required under Regulation 11 of the Regulations for Scheduled Wastes	Not applicable as no wastes generated

6.	To provide information in accordance with the Seventh Schedule in respect of each category of scheduled wastes generated as required under Regulation 13 of the Regulations for Scheduled Wastes	Not applicable as no wastes generated
7.	Send an employee to attend a 'competent person' course in handling of scheduled wastes namely the Certified Environmental Professional in Schedule Waste (CePSWAM) organised by the Environment Institute of Malaysia (EiMas). Details of the course is published at https://doe.gov.my/eimasv2	To be complied An employee will attend the said course on 17-21 June 2019
8.	Submit a written notification application for the installation of an air filtration system (scrubber) at the premises for the gold purifying process as required under Regulation 5 of the Regulations for Clean Air	Complied Submitted to DOE on 30 April 2019
9.	Send an employee to attend a 'competent person' course in handling of the air filtration system (scrubber) namely the Certified Environmental Professional in Scrubber Operation (CePSO) organised by the Environment Institute of Malaysia (EiMas). Details of the course is published at https://doe.gov.my/eimasv2	To be complied An employee will attend the said course on 24-26 June 2019

As at the LPD, ACE Assay has complied with all above-mentioned requirements pursuant to the DOE Notice, save for completion in attending the courses for items 7 and 9 which ACE Assay has registered to attend the earliest available courses in June 2019. Subsequently, ACE Assay had on 14 May 2019 applied to DOE to seek for an extension of time to comply with items 7 and 9 pursuant to the DOE Notice.

4.16 Business strategies and future plans

We have identified the following strategies to strengthen our position as a gold bullion trader in Malaysia:

(i) We intend to increase our revenue stream from selling our products on e-commerce platforms

We have been selling our products, namely Istanbul Gold Refinery branded minted gold bars of between 1 gram and 10 grams, and between 1 dinar and 5 dinar, on Lazada and Shopee since 2018.

We believe that e-commerce platforms will give us an added advantage in reaching new customers. Thus, we intend to intensify our digital marketing efforts by investing in search engine optimisation and online advertising to increase visibility of our products online. This will be funded via proceeds raised from the Proposed Placement within a year from our Proposed Listing, as elaborated in Section 2.5 of this Information Memorandum.

We also intend to increase the range of brands and products sold for minted gold bars through e-commerce platforms. We are currently seeking new product ranges to trade via e-commerce platform from existing international bullion traders and/or refineries whom we are trading with. We expect to increase our range of brands and products within a year from our Proposed Listing.

By doing so, we expect that our sales from this product segment will increase and as such, we will require working capital to purchase these minted gold bars. This will be funded via our internally-generated funds and proceeds to be raised from the Proposed Placement, as elaborated in Section 2.5 of this Information Memorandum.

(ii) We plan to increase our sales channels to extend our customer reach

At present, the trading of our physical gold products is largely carried out via GTP Easy platform. We also sell our products through international bullion traders and/or refineries' trading platforms and e-commerce platforms.

Moving forward, we aim to increase our sales channels to trade on platforms operated by other public and private companies, which could include financial institutions and e-wallet providers.

We are exploring to partner with financial institutions for their customers to trade our products via their online trading platform. This would allow us to tap onto the customer base of these financial institutions.

With the increase in sales channels, we expect to experience a higher trading volume of physical gold products, which will in turn require us to increase the deposit currently placed with international bullion traders and/or refineries to increase our margin trade facilities. This future plan will be funded via our internally-generated funds and proceeds to be raised from the Proposed Placement, as elaborated in Section 2.5 of this Information Memorandum.

(iii) We plan to expand our business operations to East Malaysia

At present, our gold bullion trading activities are mainly carried out in West Malaysia and Singapore. Moving forward, we plan to expand our presence in East Malaysia, i.e. Sabah and Sarawak. Demand for physical gold products tends to grow in line with economic development.

Under Pillar III: Pursuing Balanced Regional Development of the 11^{th} Malaysia Plan, efforts will be placed to address development imbalances between the Northern (Kedah, Perak and Perlis), Southern (Malacca and Johor), Central (Kuala Lumpur, Selangor and Negeri Sembilan), Eastern (Kelantan, Terengganu and Pahang) and East Malaysia. This involves enhancing economic activities and reducing development gaps between urban and rural areas. In particular, the Government intends to develop the infrastructure to improve access and connectivity, as well as encourage economic activity by leveraging on the available resources in East Malaysia. The Government also intends on increasing employment opportunities to uplift the standard of living in East Malaysia.

The development in East Malaysia will in turn attract more businesses to set up operations in the region. It will also create employment which would in turn, improve the disposable income of the population in this region. The demand for physical gold products in East Malaysia is expected to increase in line with the improvement of disposable income in the region. In addition, there are less industry players operating in East Malaysia and thus, we expect to achieve better profit margin by operating in East Malaysia.

We expect to expand our presence by setting up an office in Kota Kinabalu, Sabah by 2020. As at the LPD, we are negotiating to collaborate and/or partner with existing gold bullion traders operating in Sabah and Sarawak that will allow us to reap synergistic benefits.

This future plan will be funded via our internally-generated funds and proceeds to be raised from the Proposed Placement, as elaborated in Section 2.5 of this Information Memorandum.

4.17 Prospects of our Group

Our Board is of the view that we will continue to enjoy favourable prospects in the long term, having been actively involved in gold bullion trading industry for 8 years.

Based on the IMR Report, the gold bullion trading industry in Malaysia grew from RM724.3 million in 2011 to an estimated RM12.4 billion in 2018, at a CAGR of 50.1% during the period. Moving forward, the gold bullion trading industry in Malaysia is forecast to grow at a CAGR of 27.2%, from RM15.8 billion in 2019 to RM25.6 billion in 2021.

We believe that the following drivers of growth will support the future development of our business:

(i) Evolvement of the gold industry to include sales through mobile e-commerce and banking application

Increasingly, shopping, banking and payment are carried out via the Internet, largely due to the proliferation of mobile devices such as smartphones and the increasing Internet penetration in the country. In the PRC, WeChat has progressed to include the ability to allow users to purchase, sell and gift virtual gold using the mobile application, as gold-gifting has been a tradition in the country. Similarly in India, the country's top mobile payment application, Paytm has evolved to meet this trend by offering the option to purchase physical gold products using the mobile application and store it in MMTC-PAMP India Private Limited's (an LBMA-accredited gold refinery in India) insured and secure lockers, or collect the physical gold products in the form of minted coins at a jewellery store when needed.

The ability to purchase physical gold products using mobile applications in these 2 countries is expected to gain traction and spur interest and demand in other countries, including Malaysia. Our Group expects to benefit from this upcoming trend in light of its future plan to increase its revenue stream from selling its products through e-commerce platforms.

(ii) Greater consumer confidence towards physical gold products as an investment

As the population becomes more educated and information is becoming more available, there is an increased acceptance of gold as a reliable and tangible long-term store of value that moves independently of other assets.

Thus, we intend to leverage on this growth by increasing our sales channels to trade on platforms operated by other public and private companies, which could include financial institutions and e-wallet providers.

(iii) Expected growth in Shariah compliant gold investment products

The Shariah Standard on Gold, which was launched in December 2016, is expected to spur the development of new Shariah compliant gold investment products. These guidelines will pave way for Islamic banks and financial institutions to target the Muslim market with gold investment products and has the potential to position Malaysia as a gateway to Southeast Asia for Islamic investments from the Middle East region and other Muslim populated countries.

As we have attained Shariah compliance from Salihin Shariah Advisory Sdn Bhd, we believe we will be able to tap into the Muslim investor community as and when the opportunity arises.

(iv) Cultural affinity of gold jewellery and increased usage of gold

Jewellery accounts for the largest proportion of gold consumption demand. The attraction and appreciation of gold jewellery by Asian cultures, coupled with the income growth of the growing economies in both the PRC and India, will continue to drive the demand for gold jewellery.

Apart from jewellery or investment purposes, gold has also been used for alternative purposes such as in the electronics, dental, medicine and engineering industries. As technology advances, the discovery of additional benefits of the uses of gold in electronic products and various industries will lead to a greater demand for gold. Although most technological applications use low volumes of gold, the impact of gold uses is very diverse and wide-reaching.

While our Group is not directly involved in jewellery retailing or the trading of physical gold products with manufacturers of electronics, dental and industrial products, the increase in demand for gold due to the abovementioned factors will inevitably benefit our Group. For instance, the growing consumption of jewellery will in turn, lead to a growth in sales to jewellers.

5. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR COMPANY AS OUTLINED IN THIS INFORMATION MEMORANDUM, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS INFORMATION MEMORANDUM.

5.1 Risks relating to our business and the industry which we operate in

(i) We are subject to the volatility of the price of gold, which could have a negative impact on the Group's future earnings

Our Group's performance may be influenced by fluctuations in gold prices. Generally, gold prices are affected by numerous factors including, but not limited to, market expectation of future inflation and interest rates, global and regional economic condition, global gold supply and consumption levels as well as investment and trading activities in the market. The fluctuation of gold prices causes immediate impact on our cost of purchase and sales.

Notwithstanding, we have taken measures to safeguard against the fluctuations in gold prices. During volatile periods, we widen the spread margin for gold trading to protect our interest against the fluctuation. In addition, for every trade transacted with our customers, concurrently we will establish a hedging position through paper gold trade in order to reduce the price risks on our portfolio. For instance, when we purchase gold from our customers, we will sell an equivalent amount of paper gold trade to international bullion traders and/or refineries to maintain our desired holdings and reduce the exposure to the price fluctuations.

(ii) We are exposed to foreign exchange transaction risks

Our revenues and cost of sales are denominated in MYR and USD. As such, any foreign exchange fluctuations may lead to foreign exchange gains or losses.

To mitigate the risk of foreign exchange fluctuation of a particular currency, we maintain multi-currency accounts in MYR, USD and SGD to minimise the impact of foreign exchange fluctuations on transactions.

As at the LPD, we have no formal hedging policy for our foreign exchange exposure. Instead, we monitor our exposure on an on-going basis and we strive to keep net exposure to levels acceptable to us. We have not in the past experienced any material losses caused by foreign currency fluctuations.

(iii) We may face system disruptions on our GTP Easy platform

We have launched our GTP Easy platform in 2017 for our customers and suppliers to purchase and sell scrap gold bars and cast gold bars. Any technical disruptions relating to our GTP Easy platform will interrupt our ability to provide immediate trade execution, which may cause negative impact on our sales and purchases. This would ultimately impact our Group's financial performance as well as reputation.

Hence, our continuous enhancement of the platform serves to, amongst others, ensure the functionality of the platform. Our technical team has put in place measures to ensure business continuity in the event of disruption of our GTP Easy platform. This includes sourcing of live gold prices from more than 1 international bullion traders and/or refineries which eliminates the single point of failure risk. Meanwhile, our GTP Easy platform is running on cloud-based infrastructure. This eliminates redundancy and leads to lower risk of disruption in terms of hardware and software, and offers flexibility in coping with a sudden increase in traffic to our GTP Easy platform. By doing so, we are also ensuring scalability to expand our customer base.

In addition, our technical team also proactively monitors our GTP Easy platform and related infrastructure to ensure a timely response to address any incidences in technical disruptions.

(iv) We are subject to security risk

Due to the nature of our business, we are exposed to security risks that could result in monetary losses and personal injury or death such as robbery and burglary.

In order to mitigate this risk, we have implemented security measures on our premises and operations to prevent and minimise the damage. Our premises is monitored by closed-circuit television surveillance cameras 24 hours a day, with an outsourced central monitoring system service. In addition, our premises is equipped with interlocking door system and we store our physical gold products in a secured premise. In terms of transportation of products, we own 9 bullet-proof vehicles as at the LPD, to keep our staff and products safe from external threats during collection and delivery.

Further, we will also utilise our proceeds from the Proposed Placement to enhance the security features of our premises, which include reinforcement of its concrete wall, installation of a vault door and purchase of new safe box.

While we have put these precautions in place, there is no assurance that we are not subject to theft and robbery cases. We have experienced 4 theft and robbery cases during the delivery of our products that occurred between 2013 and 2015. In all of these cases, we have received the entitled compensation from the relevant insurance policies purchased.

We have insurance policies for the delivery of physical gold products during the local transit and international transit, as well as in-premise storage. Our maximum liability for local transit is RM3 million and RM7 million for international transit. However, we can only claim up to 80% of losses and damages for the respective transits. Our in-premise storage insurance covers up to 90% for losses and damages incurred in premises storage with maximum liability of RM10.8 million. In addition, we also have fidelity guarantee insurance to cover for the loss of money or property sustained as a direct result of acts of fraud, theft or dishonesty by an employee in the course of employment.

(v) We may be subject to risks relating to Sector 5 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLAPUA)

As with all other industry players in the gold bullion trading industry, we may encounter transactions relating to money laundering and criminal offences.

We are subject to the Sector 5 of the AMLAPUA and as such, it is our duty to keep a proper record of our transactions and report cases which appear suspicious to Bank Negara Malaysia, who is the central agency for enforcing the abovementioned act. Any non-compliance to Sector 5 of the AMLAPUA may result in us being penalised by up to RM1.0 million.

In order to mitigate this risk, we perform a customer/supplier assessment on new customers and suppliers to assess for any potential risk. However, there can be no assurance that the new customer or supplier will provide accurate or true information during the customer/supplier assessment. As such, we also periodically monitor for any abnormal or suspicious transactions, and report them to Bank Negara Malaysia accordingly.

(vi) We rely on our Executive Directors and key management personnel

The management and operations of our businesses require the employment and retention of skilled personnel. We recognise that our Group's continuing success depends, to a significant extent, on the capabilities and continuing efforts of our Executive Directors and key management personnel as well as our ability to retain and attract them.

We recognise the importance of attracting and retaining our Executive Directors and key management personnel as well as rewarding our performing personnel accordingly to retain their services with our Group. We train and groom the members of our team to gradually take on more responsibilities.

We also believe that by enhancing our corporate profile as a listed issuer, we will be able to attract more qualified personnel to play an active role in the growth and success of our Group. However, no assurance can be given that these measures would result in the successful recruitment, retention and/or motivation of our personnel.

(vii) We are subject to operating cash flow and liquidity risk

As at the LPD, our GST receivables amount to RM4.13 million. The GST receivables refer to outstanding sum due from the Royal Malaysian Customs Department for GST refund. A portion of this GST receivables is payable to some of our suppliers. As at the LPD, the total GST payable to suppliers amounts to RM3.92 million. We had a mutual understanding with our suppliers that the GST receivables will be paid to them upon receipt of GST receivables from the Royal Malaysian Customs Department. We adopt this practise to manage our cashflow and liquidity. Under the Goods and Services Tax Act, 2014 (Repealed Act), there is no provision to pay the GST receivables to suppliers. Based on the Goods and Services Tax Act, 2014 (Repealed Act) read together with the Guide on Input Tax Credit published by Royal Malaysian Custom Department, the GST refund from the Royal Malaysian Customs Department will be made within 14 working days to 28 working days after the relevant submission to Royal Malaysian Customs Department.

In the event that we have to pay the full outstanding sum to our suppliers, prior to receiving our GST receivables, we may be subject to cash flow and liquidity risk. This could have an adverse impact on our business operations and financial performance.

Nonetheless, we endeavour to follow up closely with the Royal Malaysian Customs Department in order to lower our GST receivables, so as to minimise any operating cash flow and liquidity risk. Further, it is important to note that with the implementation of the SST in 2018, we do not foresee this as a recurring risk.

(viii) We face competition in our industry

As we operate in the gold bullion trading industry in Malaysia, we are subject to competition from other bullion traders in Malaysia as well as potential new entrants in the industry.

No assurance can be given that our Group will be able to maintain our competitiveness against current and future competitors. Nevertheless, we believe that with our focus on, amongst others, our expertise and technical know-how as well as established network of international bullion traders and/or refineries will enable our Group to remain competitive in the gold bullion trading industry in Malaysia.

(ix) We may not be able to materialise our future plans

As part of our future plans set out in Section 4.16 of this Information Memorandum, we intend to, amongst others, increase our sales channels by partnering with financial institutions and e-wallet providers to expand our customer base as well as expand our operations to East Malaysia.

While these plans are expected to require significant management attention and resources, there is still uncertainties as these plans may not yield the results we expect. Hence, there can be no assurance that our future plans will materialise or that our future plans will not have any adverse effect on our future financial performance.

Nevertheless, we will exercise our best endeavor to execute our future plans.

(x) We may not be able to continue with our technical testing, analysis and assaying services in the current location and may need to relocate our assaying facilities

Currently, ACE Assay conducts technical testing, analysis and assaying of gold at its rented property located in the ground floor of a 4-storey shop office bearing the address No. 19, Jalan 2/131A, Projek Jaya Industrial Estate, Off Jalan Klang Lama, 58200 Kuala Lumpur ("**Demised Premises**").

In view of the nature of the business operations of ACE Assay, the Kuala Lumpur City Hall has issued a business license to ACE Assay as a lab for technical testing and this allows ACE Assay to carry out technical testing, analysis and assaying of gold in the Demised Premises. However, the said business license does not coincide with the undertaking contained in the ACE Assay's tenancy agreement dated 28 April 2017 and the letter of extension dated 29 March 2019, i.e. to use the Demised Premises as an office to conduct its business operations.

Nevertheless, the owner of the Demised Premises had on 31 May 2019 agreed to sell and we had agreed to purchase the entire 4-storey shop office which include the Demised Premises for a purchase consideration of RM2.6 million. The purchase of the Demised Premises will be funded by our internally generated funds and bank borrowings. We envisage to enter into the sale and purchase agreement by early July 2019 and to complete the purchase by October 2019.

However, if the purchase of the Demised Premises does not materialise due to whatever reason beyond our control or we are unable to obtain the consent of the Demised Premises' owner to allow us to carry on our business in the Demised Premises as approved in the business licence, i.e as a lab, we will relocate our operations to another suitable premises.

5.2 Risks relating to investment in our Shares

(i) We may not be able to proceed with or experience a delay for our Proposed Listing

Bursa Securities may not grant an approval-in-principle for our Proposed Listing or if granted, we may not be able to proceed with or experience a delay in our Proposed Listing due to amongst others, the following reasons:

(a) the identified Sophisticated Investors fail to subscribe for the portions of the Placement Shares allotted to them; or

(b) the occurrence of any force majeure events, which are beyond our control, before our Proposed Listing.

Nevertheless, we will endeavour to ensure compliance with the Listing Requirements for our successful listing on the LEAP Market of Bursa Securities.

If our Proposed Listing does not take place within 6 months from the date of the approval-in-principle from Bursa Securities (or such further extension of time as Bursa Securities may allow) or we abort our Proposed Listing, Sophisticated Investors will not receive any Shares and we will return in full, without interest, all monies paid in respect of any application for our Shares within 14 days. If we fail to do so, our Directors shall be jointly and severally liable to repay the monies with interest at the rate of 10% per annum or such other rate as may be prescribed by Bursa Securities upon expiration of that period until full refund is made.

If our Proposed Listing is aborted and/or terminated, and our Shares have been allotted to the Sophisticated Investors, the return of monies could only be achieved via cancellation of share capital as provided under the Act and its related rules. Such cancellation will require the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

(ii) No prior trading for our Shares

There was no public trading market for our Shares prior to our Proposed Listing. The listing of and quotation for our Shares on the LEAP Market of Bursa Securities does not guarantee that an active market for the trading of our Shares will develop.

There can be no assurance that the Indicative Issue Price will correspond to the price at which our Shares will be traded on the LEAP Market of Bursa Securities upon or subsequent to our Proposed Listing. Sophisticated Investors may find it difficult to sell our Shares at an acceptable price. Further, there can be no assurance that an active trading market for our Shares will develop or if such a market develops, that it will be sustained.

If an active trading market does not develop or is not maintained, the liquidity and trading price of our Shares could be adversely affected and investors may have difficulty in realising their investment in our Shares. Any investment in our Shares should be viewed as long-term investment.

(iii) Trading and performance of our Shares

Upon our listing, the trading price of our Shares could be subject to significant fluctuation due to factors specific to our Group or industries in which our Group is operating. These factors include, but not limited to, the variations in the results of our operations due to restrictions by the Government, changes in analysts' recommendations or projections or changes in general market conditions and broad market fluctuations.

In addition, the performance of securities listed on the regional and global equity market could be affected by external factors such as the performance of the regional and world bourses, the investors' sentiments and the inflow or outflow of foreign funds, which in turn are highly driven by the regulatory, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes and prices of securities on Bursa Securities, thus adding risks to the market price of our Shares.

Furthermore, the LEAP Market is limited to Sophisticated Investors only, which in turn limits the potential liquidity level in the market. It may be more difficult for the Sophisticated Investors to realise their investment on the LEAP Market than to realise an investment in a company whose shares are quoted on the Main Market or ACE Market of Bursa Securities.

(iv) We are not able to disclose the names of our 2 major customers and suppliers

Our customers and suppliers comprise local and international bullion traders and/or refineries, jewellers, retail investors and retail consumers. As the names of our 2 major customers and suppliers are confidential, their names are not disclosed in Sections 4.9 and 4.10 of this Information Memorandum and this may affect the assessment of Sophisticated Investors when investing in our Shares. Nevertheless, certain background information on these customers and suppliers are disclosed for Sophisticated Investors' information in this Information Memorandum.

(v) Our Promoters can exercise significant control over our Group

Upon listing, our Promoters, through ACE Dynamic, will collectively hold approximately 87.00% of our enlarged issued share capital. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the voting of our shareholders, unless our Promoters are required to abstain from voting by law and/ or by the relevant guidelines or regulations.

(vi) We may not be able to pay dividends

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends in the future are largely dependent on the performance of our subsidiaries. In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but not limited to our financial performance, cash flow requirements, and future expansion plans. Dividend payments are not guaranteed and are subject to our Board's sole and absolute discretion.

PROVIDENCE STRATEGIC PARTNERS SDN BHD
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46200 Petaling Jaya, Selangor, Malaysia.
T: +603 7625 1769

Date: 20 June 2019

The Board of Directors
ACE INNOVATE ASIA BERHAD
No. 19-1, Jalan USJ 10/1D
47620 Subang Jaya
Selangor

Dear Sirs,

Industry Overview on the Gold and Gold Bullion Trading Industries in conjunction with the Listing of ACE INNOVATE ASIA BERHAD on the LEAP Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this Industry Overview on the Gold and Gold Bullion Trading Industries for inclusion in the Information Memorandum of ACE INNOVATE ASIA BERHAD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.

For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.

About MELISSA LIM:

Melissa Lim is the Executive Director of PROVIDENCE. She has close to 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

PROVIDENCE
STRATEGIC PARTNERS

1 GOLD INDUSTRY

INTRODUCTION

Gold is a rare element and is a precious metal. As such, it has a high economic value, and can be used as a form of investment, storage of economic value, or used in the manufacturing of jewellery, electronics, dental and industrial products.

Gold was used as a medium for exchange based on unofficial standards which varied across countries, up until the Gold Standard Act was passed in 1900. The Gold Standard Act was a monetary system whereby participating countries defined the value of its currency relative to a specified quantity of gold, and paper money can be convertible into gold. Subsequently, the Bretton Woods system was established where 43 countries had fixed (but adjustable) exchange rates to the United States Dollar ("**USD**"), which was in turn pegged to gold price at USD35 per ounce. In 1971, the President of the United States of America ("**United States**") announced that the USD will not be pegged to gold and in 1976, the United States monetary system officially used fiat currency. In 1974, private ownership of gold was permitted.

Since then, the following gold products have been sold, consumed and traded worldwide:

- **Scrap gold bars and other unrefined gold products** – mined gold or recycled gold that has been melted into bars or other shapes;
- **Cast gold bars** – physical gold products that are produced by refineries. They are in the form of bars and carry simple designs. Cast gold bars may or may not be produced by refineries that have been accredited by the LBMA, the leading world authority for the production of gold and other precious metal bars. LBMA cast gold bars must thus meet the standards set by the LBMA in terms of purity, quality and physical appearance. The recommended specifications of LBMA cast gold bars are that they are at least 99.5% pure gold, weigh between 10.9 to 13.4 kg, and be stamped with a unique serial number, fineness, refiner's seal and year of manufacture. The recommended dimensions are 250 millimetre ("**mm**") (+/- 40mm) x 70mm (+/- 15mm) x 35mm (+/- 10mm);
- **Minted gold bars** – refined gold bars that have intricate designs with different weights and sizes, and marked with details such as manufacturer's name, weight, purity and serial number;
- **Gold coins and medallions** – physical gold products that are produced by refineries. They take the shape of a coin or medallion; and
- **Institutional investment products –** exchange traded funds ("**ETFs**") and other investment funds and gold savings products offered by institutions. This allows retail investors to invest in gold without having storage, security or insurance concerns, and expertise of trading these products on exchanges and/or with institutions.

The gold industry value chain for the abovementioned types of gold can be segmented into the following activities:

(i) **Supply of gold** - which comes from the following 2 sources, i.e.:

- **Mined gold** – which refers to gold or gold ores that have been obtained through mining activities; and
- **Recycled gold** – which refers to reclaimed gold products such as used jewellery, electric wiring as well as components in electronic and industrial products.

The abovementioned gold sources are melted into scrap gold bars or other forms of unrefined gold products.

Gold mining companies also hedge to protect against the risk of a decline in gold prices. As such, they may decide to sell some or all of its anticipated production for delivery at a future date.

(ii) **Smelting and refining** – Scrap gold bars will be sent to refineries to undergo a smelting and refining process to remove impurities. The refined gold will then undergo an assay test to measure the gold content, after which, the refined gold is cast into cast gold bars, minted gold bars, gold coins or medallions.

(iii) **Gold bullion trading** – Gold bullion trading is typically carried out by bullion traders. Bullion traders are engaged in the following activities:

- Bullion trading of unrefined physical gold products to refineries for smelting and refining; and/or
- Bullion trading of unrefined and refined physical gold products to jewellers for their jewellery manufacturing processes or onward sale to retail investors and retail consumers; and/or
- Bullion trading of unrefined and refined physical gold products to other bullion traders. Please see point (iv) below for further elaboration; and/or
- Bullion trading of refined gold products to central banks to be kept as central bank reserves; and/or
- Bullion trading of refined gold products to electronics, dental and industrial product manufacturers for their manufacturing processes; and/or
- Bullion trading of refined gold products to financial institutions and/or retail investors for direct and indirect investments. Please see point (iv) below for further elaboration.

Some refineries are also involved in bullion trading whereby they purchase mined and/or recycled gold from mining companies, pawn shops and electronics recycling companies to be refined, as well as trade amongst other bullion traders and/or refineries. In addition, some jewellers also purchase recycled gold directly from pawn shops for their jewellery manufacturing processes.

(iv) **Consumption of gold** - where gold is purchased for the following purposes, i.e.:

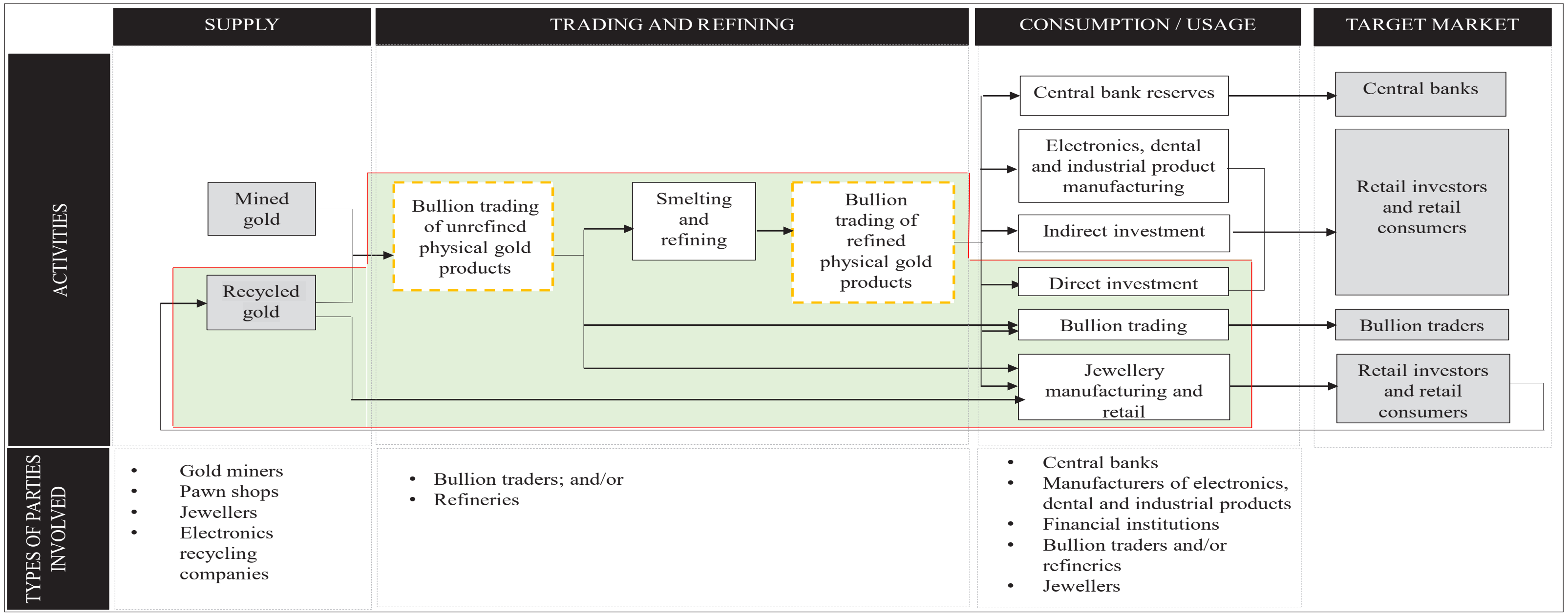
- **Central bank reserves** – Given the international acceptance of gold as a store of value, central banks maintain a portion of their reserves in the form of gold and to hedge against the USD reserve;
- **Electronics, dental, and industrial product manufacturing –** Due to its intrinsic properties such as resistance to corrosion, pliability and malleability, high thermal and electrical conductivity, gold is used in the manufacturing of these products. Examples of gold usage in these products include its use in components to conduct electricity for mobile phones and computers, dental restoration in small fillings, catalytic converters in automobiles to reduce hazardous emissions, lubricating material as well as coating on architectural glass;
- **Direct and indirect investment** – Cast gold bars, minted gold bars, gold coins and medallions, all of which typically have a high purity level (usually 99.0% purity level and above), can be purchased as a direct investment or hedging instrument by retail investors.

  In addition, institutional investment products such as exchange-traded funds ("**ETFs**"), and other investment funds and gold savings products are also offered by institutions (i.e. financial institutions and bullion traders) to retail investors as an indirect investment. Depending on the institutional investment product, physical gold products will be purchased from bullion traders in the form of cast gold bars and placed in a high security vault;
- **Bullion trading –** As mentioned above, unrefined and refined physical gold products can be bought by other bullion traders. It is important to note that due to its intrinsic value as an investment or hedging instrument, physical gold products are also traded amongst bullion traders. Bullion trading includes local as well as cross-border trades;

- **Jewellery** – Gold jewellery can be purchased for adornment purposes or as a store of value or means of saving by retail investors and retail consumers.

The gold industry value chain is as illustrated below:

Gold industry value chain



Notes:

Depicts the segments in which Ace Innovate Asia Berhad and its subsidiaries ("**AIAB Group**") are primarily involved

Depicts the segments in which AIAB Group as well as its customers and suppliers are involved.

Source: PROVIDENCE analysis

GOLD SUPPLY AND CONSUMPTION

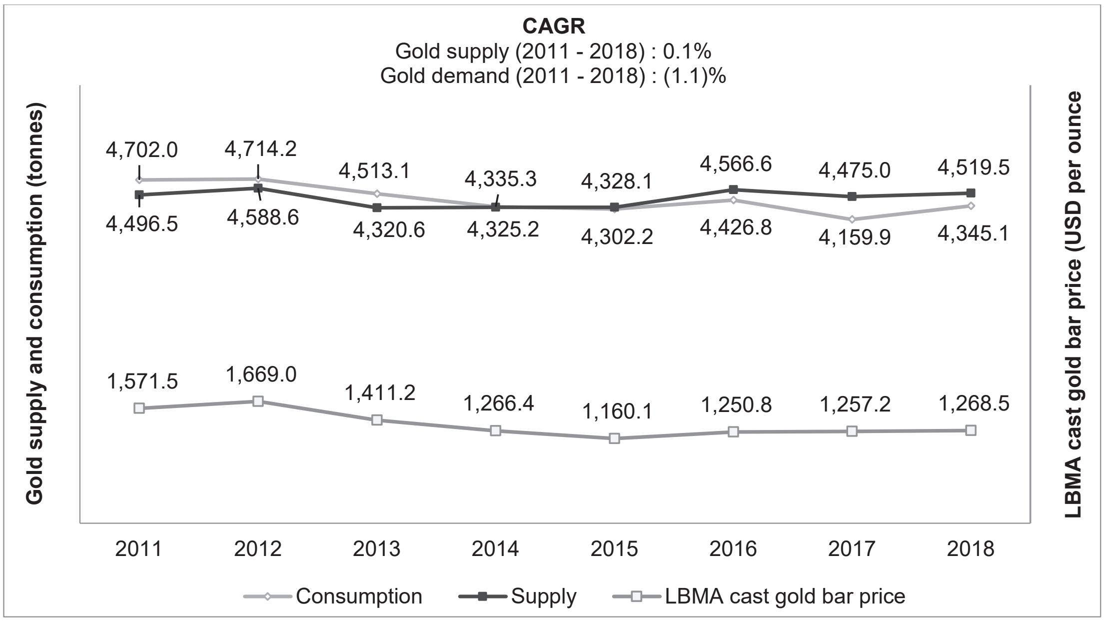
Global

Between 2011 and 2018, the global supply of gold, based on gold obtained through mining activities and recycled gold, remained relatively stable between 4,496.5 tonnes in 2011 and 4,519.5 tonnes in 2018, registering a compound annual growth rate ("**CAGR**") of 0.1%. Gold mine production contributed 74.1% of the world's gold supply in 2018, while the remaining 25.9% was recycled gold production.

The demand for gold, which refers to physical gold products that have been purchased by retail investors, retail consumers and central banks, also remained relatively stable between 2011 and 2018, hovering between a low of 4,159.9 tonnes to a high of 4,714.2 tonnes.

Prices of gold fluctuate due to factors including, but not limited to, market expectation with respect to future inflation and interest rates; global and regional economic and financial events and conditions; global gold supply and consumption levels; as well as investment and trading activities of speculators. The LBMA cast gold bar price is used as an important benchmark throughout the gold market globally. Over the past 8 years, LBMA cast gold bar prices fluctuated, having decreased from USD 1,669.0 per ounce in 2012 to USD 1,160.1 ounce in 2015, before rising to USD 1,268.5 per ounce in 2018.

Global gold supply and consumption, and annual LMBA cast gold bar price



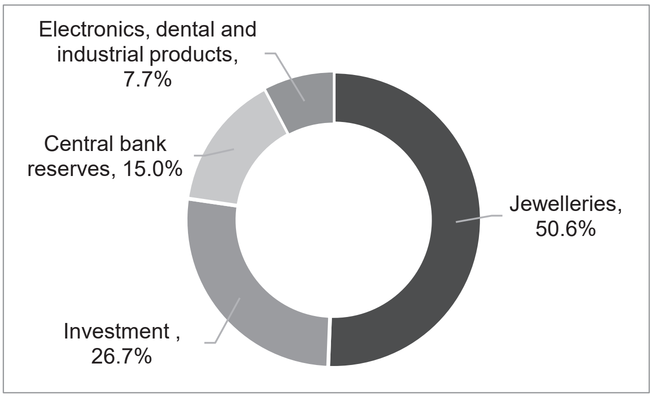
Notes:

1. Gold supply excludes net producer hedging
2. Gold demand refers to physical gold products and ETFs that have been purchased
3. Gold demand in the above chart excludes any trading transactions performed amongst bullion traders and/or refineries

Source: World Gold Council

Much of the gold consumed globally is contributed by the demand for jewellery, followed by investment by retail investors, central bank reserves, and electronics, dental and industrial manufacturing. In 2018, demand for gold jewellery represented half of the total demand at 50.6%, followed by investment which represented 26.7%, while central bank reserves as well as electronics, dental and industrial product manufacturing comprised the remaining balance of 15.0% and 7.7%, respectively.

Gold demand by type in 2018



Source: World Gold Council

The global demand for jewellery saw a high in 2013 at 2,710.1 tonnes, then falling to a low in 2016 at 2,067.9 tonnes. This volatility was largely contributed by the demand for gold jewellery in the PRC, which accounts for approximately 30.0% of the world's gold jewellery in 2018. The amplified number of gold jewellery stores in the country, contributed to excess capacity and fierce price wars in 2013 which led to a decreased in demand for gold jewellery post-2013. However, 2017 and 2018 saw a recovery in jewellery demand, to achieve 2,200.0 tonnes in demand for gold jewellery in 2018. This was contributed by the PRC's shift to a more consumer-centric industry in addition to the country's rising wealth.

Gold investments remained fairly stable between 2011 and 2012, hovering between 1,618.5 tonnes and 1,694.6 tonnes. In 2013, the demand for gold investments dropped to 823.3 tonnes as a result of the decrease in gold prices. In 2016, there was a sudden surge in gold investments to 1,646.2 tonnes, largely due to demands by investors in the United States and Europe. In the United States, investors were concerned over market and interest rates uncertainty with the country's presidential election that would take place later in the year; while investors in Europe, especially Netherlands, France and Germany, were concerned over future uncertainty due to the following year's elections. Demand for gold investments maintained at 1,251.6 tonnes and 1,159.1 tonnes in 2017 and 2018, respectively.

Malaysia

According to the Department of Mineral and Geoscience Malaysia, Malaysia's mined gold comes from 17 registered mines in Pahang, Kelantan and Terengganu as at 2017. As at 2017, Pahang alone accounted for 72.9% of the country's mined gold output. Collectively, Malaysia's mined gold production was recorded at approximately 3 tonnes in 2016.[1]

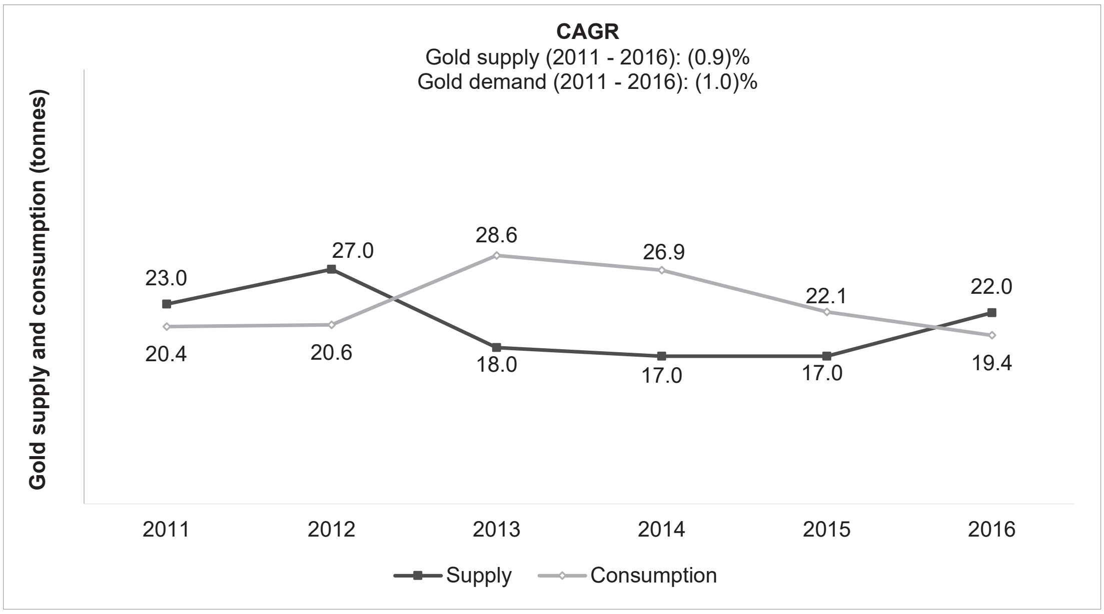
As the country's production of mined gold is insufficient to support its demand for gold, Malaysia relies on supply of recycled gold and imports to fulfil its demand. Recycled gold accounted for 86.4% of the total gold supply in Malaysia in 2016.[1]

Between 2011 and 2016, the supply of gold in Malaysia remained relatively stable, between 23.0 tonnes in 2011 and 22.0 tonnes in 2016. Similarly, the country's consumption of gold remained between 20.4 tonnes in 2011 and 19.4 tonnes in 2016.

Malaysia's gold exports witnessed a decline from 7.5 tonnes in 2014 to 2.5 tonnes in 2017. The decline in gold exports in Malaysia from 2014 to 2017 is largely due to uncertainties arising from the implementation of the Goods and Services Tax in 2015, currency depreciation and less favourable economic performance, coupled with increased competition from the PRC and India. On the other hand, between 2011 and 2017, the country's gold imports hovered between a low of 52.2 tonnes and a high of 80.2 tonnes.

[1] Source: Singapore Bullion Market Association, Metals Focus. Latest publicly available information is as at 2016

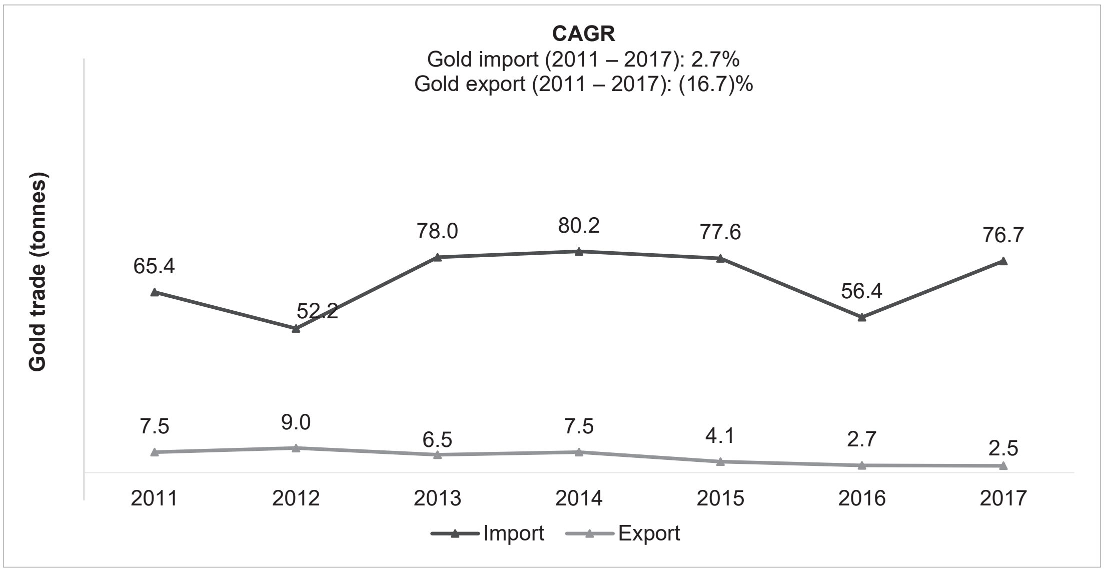
Gold supply and consumption in Malaysia



Notes:
1. Gold supply excludes net producer hedging
2. Gold demand refers to physical gold and ETFs that has been purchased
3. Gold demand excludes any trading transactions performed amongst bullion traders and/or refineries
4. Latest publicly available information is as at 2016

Source: Singapore Bullion Market Association, Metals Focus

Gold imports and exports in Malaysia



Notes:
1. Latest publicly available information is as at 2017
2. Gold imports and exports includes trading activities amongst institutions as well as retail investors, but excludes any gold trading activities that do not require the physical transfer of gold between countries

Source: United Nations Comtrade

In 2017, the top 3 countries Malaysia imported gold from were Switzerland, United Arab Emirates and Singapore. Meanwhile, the top 3 countries Malaysia exported gold to were Singapore, Australia and United Arab Emirates.

Top 3 trading countries with Malaysia

Country	Volume ('000 tonnes)	Percentage of total imports/exports (%)
Import		
Switzerland	44.0	57.4
United Arab Emirates	22.0	26.1
Singapore	9.7	12.7
Export		
Singapore	1.2	49.3
Australia	0.5	20.7
United Arab Emirates	0.3	12.9

Source: World Gold Council

Singapore

As Singapore does not have any gold mines, it does not have mined gold supply. Singapore relies on recycled gold and imports to fulfil its demand. Between 2011 and 2016, recycled gold supplied remained between 7.0 tonnes in 2011 and 8.0 tonnes in 2016.

Over the same period, Singapore's gold import increased from 62.1 tonnes in 2011 to 327.1 tonnes in 2017 at a healthy CAGR of 31.9%. The country also witnessed a healthy growth in gold exports over the same period, increasing from 69.1 tonnes to 387.8 tonnes at a healthy CAGR of 33.3%.

The healthy growth in gold imports and exports to/from Singapore is largely attributable to the implementation of the removal the Goods and Services Tax on investment-grade gold products since 1 October 2012, on the basis of recognising gold as a financial asset as well as part of a strategy of developing the country as a gold bullion hub. Furthermore, since mid-2013, gold trading activities were boosted by Metalor Technologies (Singapore) Pte Ltd, which commenced operations in gold refinery and production activities. It is the country's first refinery that have been accredited by LBMA.

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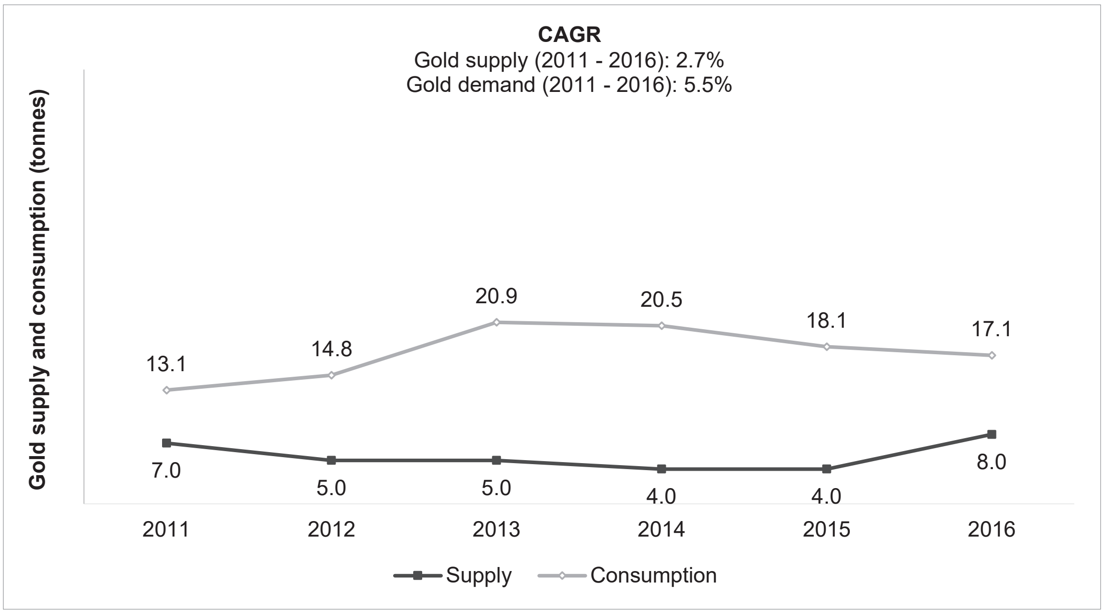
Gold supply and consumption in Singapore

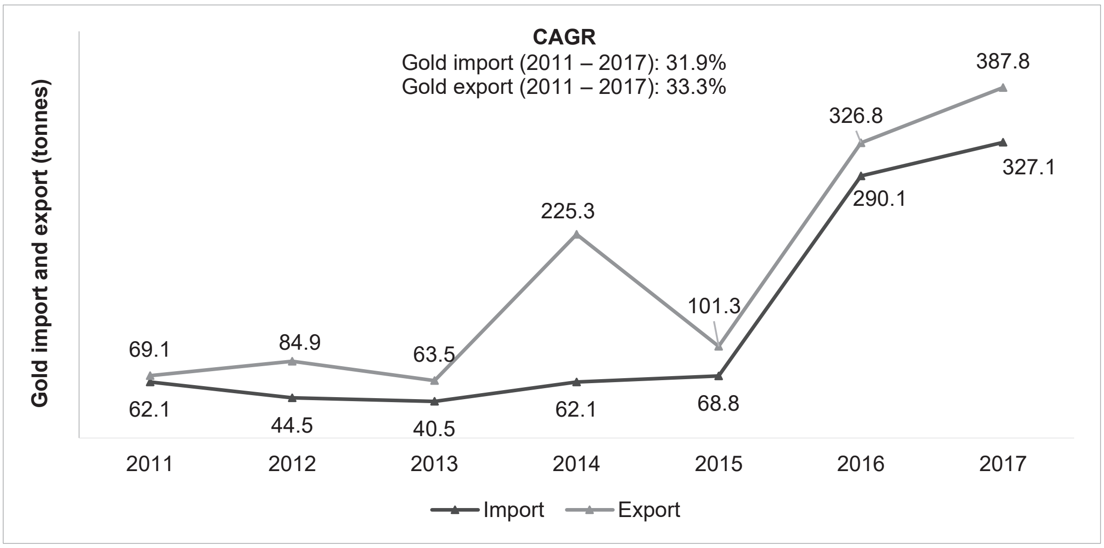


Notes:

1. Gold supply excludes net producer hedging
2. Gold demand refers to physical gold and ETFs that has been purchased
3. Gold demand excludes any trading transactions performed amongst bullion traders and/or refineries
4. Latest publicly available information is as at 2016

Source: Singapore Bullion Market Association, Metals Focus

Gold import and export in Singapore



Notes:

1. Latest publicly available information is as at 2017
2. Gold imports and exports includes trading activities amongst institutions as well as retail investors, but excludes any gold trading activities that do not require the physical transfer of gold between countries

Source: United Nations Comtrade

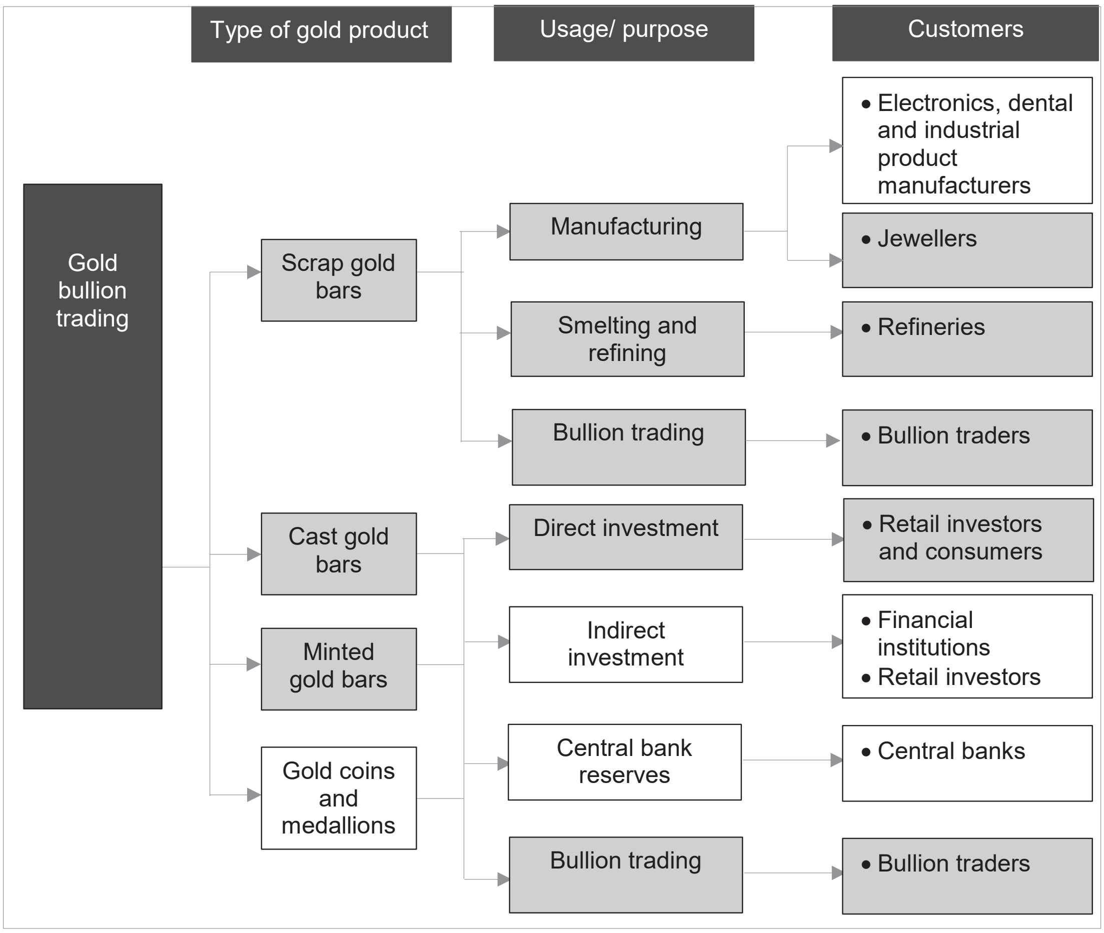
PROVIDENCE STRATEGIC PARTNERS

2 GOLD BULLION TRADING INDUSTRY IN MALAYSIA

INTRODUCTION

Gold bullion trading refers to the purchasing and selling of physical gold products, namely scrap gold bars, cast gold bars, minted gold bars and gold coins and medallions. As mentioned in **Chapter 1 – The Gold Industry (Introduction)**, the purchasing and selling of gold bullions can be carried out by bullion traders and/or refineries, jewellers and mining companies. However, in the context of this Industry Overview, the bullion trading industry only comprises companies that are principally involved in gold bullion trading, and excludes jewellers and mining companies.

There are various business models which gold bullion traders in Malaysia participate in, as seen below:



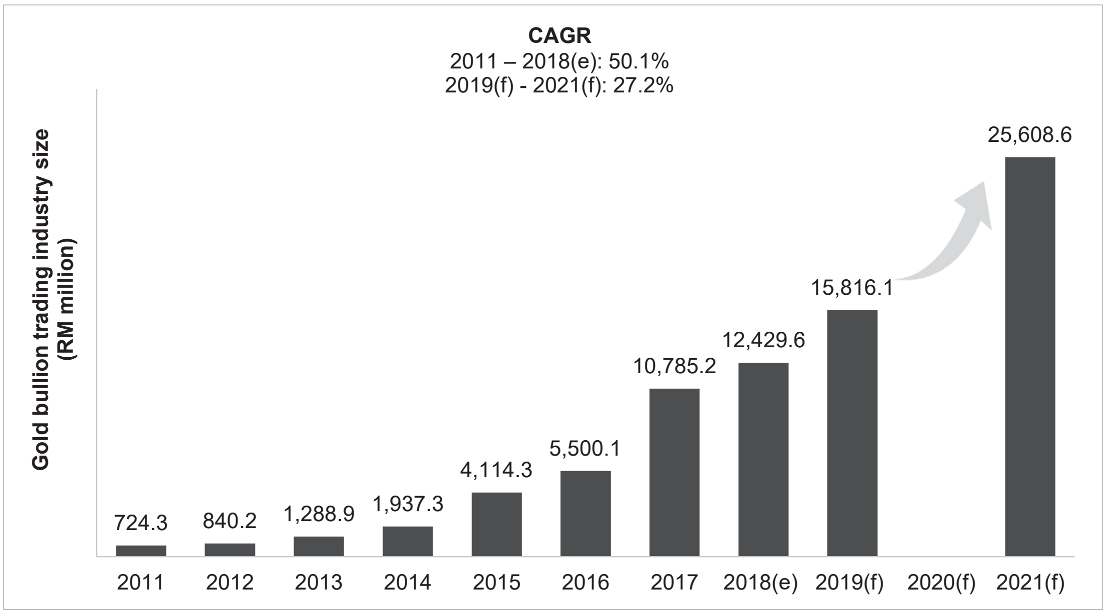
Notes:

1. *Indirect investment refers to institutional investment products such as ETFs and other investment funds and gold savings products offered by institutions to retail investors. While the target market or end-customer are retail investors for institutional investment products offered by financial institutions, the customers of bullion traders are financial institutions as these bullion traders act as a physical gold provider for the funds. There are also institutional investment products offered by bullion trader(s) to retail investors, such as the gold savings product
2. Depicts the business model(s) which AIAB Group participates in, as at the date of this Industry Overview

INDUSTRY PERFORMANCE, SIZE AND GROWTH

The gold bullion trading industry size is computed based on revenues of identified bullion traders based in Malaysia. Between 2011 and 2018, the gold bullion trading industry size in Malaysia demonstrated a healthy CAGR of 50.1%. The gold bullion trading industry in Malaysia grew from RM724.3 million in 2011 to an estimated RM12.4 billion in 2018. Moving forward, PROVIDENCE forecasts the gold bullion trading industry in Malaysia to grow at a CAGR of 27.2%, from RM15.8 billion in 2019 to RM25.6 billion in 2021.

Gold bullion trading industry size in Malaysia



Notes:
1. The gold bullion trading industry size may include revenues from trading of other types of precious metals such as silver
2. The gold bullion trading industry size include revenues from the sale of physical gold products jewellers, electronics, dental and industrial product manufacturers, refineries, jewellers, retail investors and retail consumers and financial institutions. It also includes any trading transactions performed amongst bullion traders and/or refineries
3. (e) – estimate
4. (f) - forecast

Source: Federation of Goldsmiths and Jewellers Association of Malaysia, Companies Commission of Malaysia, PROVIDENCE

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KEY DEMAND DRIVERS

The gold bullion trading industry in Malaysia has been growing in light of the increasing number of local and cross-border gold trading transactions of bullion traders based in Malaysia. Moving forward, this positive trend is expected to continue in light of the following factors:

Evolvement of the industry to include sales through mobile e-commerce and banking applications will contribute to growth in sales for gold products via online channels

Increasingly, shopping, banking and payment are carried out via the Internet, largely due to the proliferation of mobile devices such as smartphones and the increasing Internet penetration in the country. This is illustrated by the high mobile penetration rate in Malaysia which reached 131.4% as at the first quarter of 2019, and a high smartphone user rate of 75.9% in 2017.[2] Meanwhile, Malaysia's mobile internet adoption, represented by mobile broadband subscription, increased from 17.6 million subscriptions in 2014 to 36.8 million subscriptions in 2018, recording a CAGR of 20.2%.[3]

According to Bank Negara Malaysia, mobile payment transactions grew from 271.1 million transactions (valued at RM22.1 billion) in 2015 to 2.2 billion transactions (valued at RM100.1 billion) in 2018.

Further, Bank Negara Malaysia has also announced that it will release its requirements for virtual banking licenses by end of 2019. Mobile banking in Malaysia is expected to grow further with the emergence of virtual banks. Virtual banking has already been growing rapidly in Asia. Although some licensed virtual banks in Asia have less than 3 operating years, these virtual banks have already attracted a large customer base. As an illustration, Nu Bank and Revolut have 5.0 million and 4.0 million customer accounts as at 2019.[4]

In the PRC, the population is moving towards a cashless society where mobile wallets are displacing cash, especially in urban areas. The most widely used mobile application in China, WeChat, by Tencent Holdings Limited rode upon this opportunity through the expansion of the usage of WeChat from just a social messaging application to a multi-purpose mobile application which include social media and mobile payment. Since then, WeChat has progressed to include the ability to allow users to purchase, sell and gift virtual gold using the mobile application, as gold-gifting has been a tradition in the country. The gold bought on the WeChat platform originates from the Industrial and Commercial Bank of China Limited's gold product offerings.

Similarly in India, gold-gifting is a part of the Indian culture, especially as wedding gifts. Thus, the ability to purchase, sell and gift gold via a mobile application is both attractive and convenient. The country's top mobile payment application, Paytm has evolved to meet this trend by offering the option to purchase gold using the mobile application and store it in MMTC-PAMP India Private Limited's (an LBMA-accredited gold refinery in India) insured and secure lockers, or collect the physical gold in the form of minted coins at a jewellery store when needed.

As the ability to purchase gold using mobile applications gains traction in these 2 countries, this may spur the interest and demand in other countries, thereby generating more demand for gold products.

Expected growth in Shariah compliant gold products, which will contribute to growth in demand for gold products

In December 2016, the Shariah Standard on Gold was launched by the Accounting and Auditing Organisation for Islamic Financial Institutions. The Shariah Standard on Gold sets out the guidelines for Islamic investment in gold and is thus expected to spur the development of new Shariah compliant gold investment products. These guidelines will also pave way for Islamic banks and financial institutions to target the Muslim market with gold investment products created based on these guidelines. More

[2] Source: Malaysian Communications and Multimedia Commission ("**MCMC**")
[3] Source: MCMC
[4] Source: CB Insights

importantly, with the Shariah Standard on Gold, Malaysia has the potential to be a gateway to ASEAN for Islamic investments from the Middle East region and other Muslim populated countries.

This will bode well for the bullion trading industry in Malaysia as Shariah compliant investment products such as ETFs requires transactions to be made on-the-spot, without any deferment in payment or delivery of gold. Thus, Shariah compliant ETFs are backed with physical gold. This defers from conventional ETFs where units owned may not necessarily be backed by physical gold as it can be backed by paper gold. Hence, the growth in Shariah compliant investment products, particularly ETFs, are expected to involve higher transaction volumes of physical gold, thus contributing to the growth of the bullion trading industry in Malaysia.

Greater consumer confidence towards gold as an investment indicates demand potential for gold investment products

As the population becomes more educated and information is becoming more available, there is an increased acceptance of gold as a reliable and tangible long-term store of value that moves independently of other asset classes. Demand for gold as an investment came in second place where it accounted for 26.7% of total demand for gold products in 2018.[5]

Retail investors are including gold in portfolios to protect purchasing power, reduce volatility and minimise losses during periods of market shock. They are recognising the role of gold as a strategic and valuable asset due to various attributes of gold, such as:

- low linkage to other major assets during both expansionary and recessionary periods; and
- an asset that is as liquid as other financial securities.

Moving forward, the growing recognition of the role of gold in wealth protection and preservation as well as a risk mitigation tool, coupled with greater consumer confidence towards gold as an investment, will serve as a demand driver for future gold investment products.

Increased usage of gold for alternate purposes

Apart from using gold as jewellery or investment purposes, gold has also been used for alternative purposes in the electronics, medicine and engineering industries. The unique properties of gold and the advancement of nanotechnology are driving new uses in these other industries.

In the electronics industry, gold is mainly used for 2 specific purposes: coatings for connectors and contacts, as well as a gold bonding wire for semiconductors. In the medical industry, gold is used to build highly-targeted methods for delivering drugs into the human body, to create conducting plastics and specialised pigments, or to advance substances that can purify water or air. Furthermore, gold has been used as in dentistry as fillings for teeth or as implants for centuries, albeit at a decreasing rate due to the emergence of substitutes.

As technology advances, the discovery of additional benefits of the uses of gold in electronic products across various industries will lead to a greater demand for gold, although most technological applications use low volumes of gold, the impact of gold uses are very diverse and wide-reaching.

Cultural affinity drives demand for gold jewellery

Jewellery accounts for the largest proportion of gold consumption demand. Jewellery demand consists of newly-made gold jewellery and watches. Over the last decade, demand for gold as a jewellery product

[5] Source: World Gold Council. Refers to investment performed by retail investors, and excludes trading amongst bullion traders, refineries.

has gradually moved from the West to the East. In 2018, both the PRC and India collectively accounted for more than half (57.8%) of consumer demand for gold jewellery.

In China, on special occasions such as the Chinese New Year, or to celebrate a joyous occasion such as welcoming the birth of a new baby or a marriage celebration, there is a tradition of giving gold jewellery as gifts. Similarly, in India, gold is considered as auspicious and is ingrained in the marriage ritual in Indian society, where gold is given as gifts to the married couple as a token of celebration.

The attraction and appreciation of gold jewellery by Asian cultures, coupled with the income growth of the growing economies in both the PRC and India, will continue to drive the demand for gold jewellery.

COMPETITIVE OVERVIEW

The bullion trading industry in Malaysia comprises over 70 industry players, most of which are local industry players. PROVIDENCE has identified these industry players on the basis that:

(i) they are principally involved in gold bullion trading based on publicly disclosed information; and
(ii) they have presence in Malaysia based on publicly disclosed information.

These identified industry players are as detailed below:

Company name	Latest financial year end	Revenue (FYE 2018)
1 Stop Gold Sdn Bhd	30 June 2018	RM18.7 million
AIAB Group	31 December 2018	RM1.1 billion
Anniqh Gold Bullion Trading Sdn Bhd	31 March 2018	RM639.4 million
Gold Bullion Precious Metal Sdn Bhd	30 June 2018	RM16.0 million
Goricven Sdn Bhd	31 December 2017	RM226.5 million
MKS Precious Metals Sdn Bhd	30 June 2018	RM31.2 million
Mysmartgold Bullion Sdn Bhd	31 December 2017	RM2.9 billion
Nubex Sdn Bhd	31 December 2017	RM17.8 million
PX Swissmet Sdn Bhd	31 December 2017	RM5.7 billion
Quantum Metal Sdn Bhd	30 June 2017	RM47.6 million
Zue Bao Jewellery Sdn Bhd	31 July 2018	RM483.3 million

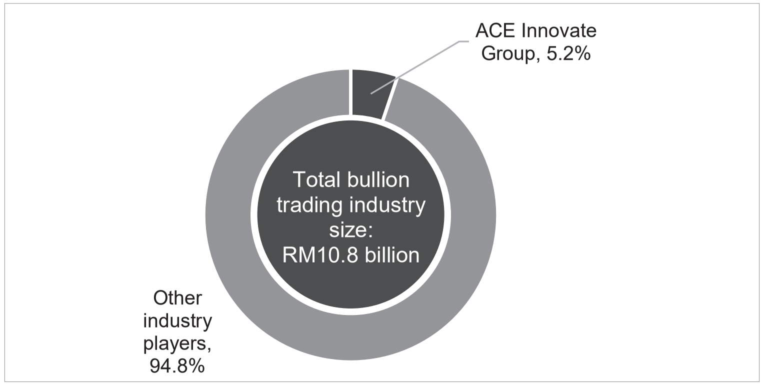
Notes:
1. The abovementioned list comprises identified industry players with revenues of RM15.0 million and above
2. The abovementioned list of companies does not include jewellers, even if they participate in bullion trading

Source: Federation of Goldsmiths and Jewellers Association of Malaysia, Companies Commission of Malaysia, PROVIDENCE

PROVIDENCE STRATEGIC PARTNERS

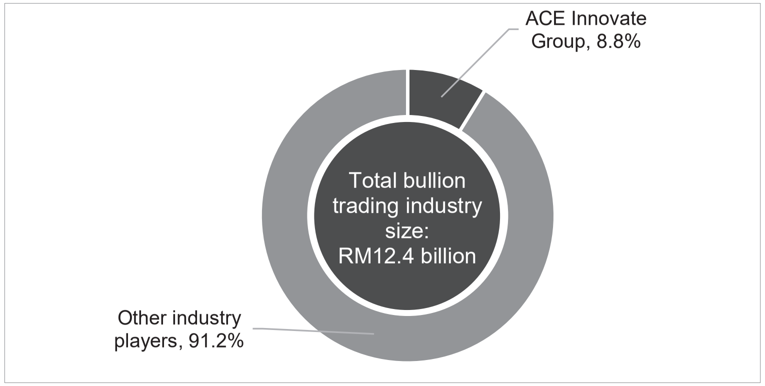
Based on the revenue generated from AIAB Group of RM565.5 million and the total bullion trading industry size of RM10.8 billion in 2017, AIAB Group garnered an industry revenue share of 5.2% in the year. In the following year, based on the revenue derived from AIAB Group of RM1.1 billion and the total bullion trading industry in Malaysia of an estimated RM12.4 billion in 2018, AIAB Group is estimated to have garnered a market share of 8.8% in the year.

AIAB Group's industry revenue share in the bullion trading industry in Malaysia, 2017



Source: Companies Commission of Malaysia, PROVIDENCE

AIAB Group's estimated industry revenue share in the bullion trading industry in Malaysia, 2018



Source: Companies Commission of Malaysia, PROVIDENCE

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

7.1 Promoters

The profiles of our Promoters are as follows:

(i) ACE Dynamic

ACE Dynamic, an investment holding company, was incorporated on 6 March 2019 under the Act as a private limited company.

As at the LPD, ACE Dynamic's issued share capital is RM1,000,000 comprising 1,000,000 ordinary shares and it does not have any outstanding warrants, options, convertible securities or uncalled capital.

Prior to the Proposed Listing, ACE Dynamic holds 100% equity interest in AIAB. Save for AIAB, ACE Dynamic does not have any subsidiary or associate company.

The directors and shareholders of ACE Dynamic and their shareholdings in the company as at the LPD are as follows:

	Direct		Indirect	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Directors and shareholders				
Go Yoong Chang	550,000	55.00	-	-
Kua Kee Koon	150,000	15.00	-	-
Shareholders				
Fong Pok Yee	125,000	12.50	-	-
Kee Wee Chong	100,000	10.00	-	-
Liew Kim Fung	75,000	7.50	-	-

(ii) Go Yoong Chang, Malaysian, aged 40

Executive Director/ CEO

Go Yoong Chang is our CEO and is responsible for the overall strategic business planning and direction of our Group. He graduated with a Bachelor of Mechanical Engineering from University Tenaga Nasional in 2003.

He began his career with Price Solutions Sdn Bhd, a wholly owned subsidiary of Standard Chartered Holdings (Asia Pacific) BV in 2002 as a Loan Officer where he was responsible for credit analysis on the bank's loan portfolio.

In 2009, he co-founded ACE Capital, our wholly-owned subsidiary, which was dormant until 2011. When ACE Capital commenced its business in gold bullion trading in 2011, he was appointed as Manager and he spearheaded the business expansion. In 2015, he co-founded ACE Global, our wholly-owned subsidiary which is involved in the business of developing information technology, i.e. our GTP Easy platform. He subsequently co-founded ACE Assay, which is principally involved in technical testing and analysis. All of these companies were later acquired by our Company in 2019, and Go Yoong Chang assumed his present position as our CEO.

Alongside his career in our Group, he also co-founded ACE Reload Sdn Bhd in 2016, which is currently involved in the trading of telecommunication products. As at the LPD, he is currently appointed as an Executive Director of the company.

In 2019, he was appointed as an Executive Director in Gosford Leather Industries Sdn Bhd, which principally involved in the manufacturing of leather products. In addition, he holds non-executive directorships and shareholdings in other companies, as highlighted in Section 7.6.1 of this Information Memorandum.

(iii) Kua Kee Koon, Malaysian, aged 39
Executive Director/ CSO

Kua Kee Koon is our CSO and is responsible for overseeing the sales and operations team, which responsibilities include the sales and logistics management of physical gold products that have been purchased and sold. He completed his Malaysian Certificate of Education (SPM) at Sekolah Tinggi Batu Pahat, Johor in 1997.

He began his career with Betta Sdn Bhd as a Sales Representative where he distributed electronic dictionary devices for the Northern Region in 1997. In 2002, he joined Cadbury Confectionery (M) Sdn Bhd as a Sales Representative for Johor Region where he was responsible for distributing confectionery. In 2003, he co-founded T&P Distributor Sdn Bhd, which was involved in the distribution of consumer products in Kluang, Johor. He later resigned from his position in this company in 2004.

In 2004, he co-founded Perniagaan Khoon Hooi, which was discontinued in 2005. In 2006, he founded Perniagaan Kwang Hooi and subsequently discontinued in 2007. In 2006, he joined Taiko Metal Sdn Bhd as Chief Operating Officer where he was responsible for overseeing the processing of scrap metals and electronic wastes.

In 2012, he joined ACE Capital as the Chief Operations Officer. He then assumed his present position as the CSO on 1 February 2018.

As at the LPD, he also holds non-executive directorships and shareholdings in other companies, as highlighted in Section 7.6.2 of this Information Memorandum.

(iv) Fong Pok Yee, Malaysian, aged 44
Executive Director/ CMO

Fong Pok Yee is our CMO and is responsible for the overall marketing strategies of our Group. He obtained his Certificate of Marketing from Stamford College, Malaysia in 1996 and obtained Certificate IV in Property Services (Real Estates) from the Real Estate Institute of Victoria Ltd in 2012. Further, he is also a registered member of Technological Association of Malaysia since 2012.

He began his career in 1997 when he joined Dorema Distribution Sdn Bhd as a Sales Executive, where he was responsible for sales of telecommunication products. In 2000, he joined Intan-ED Sdn Bhd as a Senior Sales Executive, where he was responsible for sales of telecommunication products.

In 2005, he was the National Sales Manager of MobilityOne Sdn Bhd where he was primarily responsible for formulating sales strategies and advertising.

In 2009, he was the Regional Sales Director of International Mortgage House Ltd, where he was primarily involved in credit facilities advisory for overseas property investment, particularly in Australia.

He joined ACE Global in 2016 as CMO.

As at the LPD, he also holds directorships and shareholdings in other companies as highlighted in Section 7.6.3 of this Information Memorandum.

(v) Kee Wee Chong, Malaysian, aged 41

Kee Wee Chong is not working for our Group. He completed his Malaysian Certificate of Education from Sekolah Menengah Parit Haji Hassan in 1996.

In 1996, he began his career when he joined Aetna Universal Insurance Berhad (now known as ING Insurance Berhad and presently a subsidiary of AIA Berhad) as an Insurance Sales Agent, where he was responsible for sales of insurance solutions. Since then, Kee Wee Chong has had 16 years of experience as an entrepreneur, having set up numerous companies involved in sales and trading of telecommunication products, packaging materials and oil palm products.

As at the LPD, he holds directorships and shareholdings in other companies, as highlighted in Section 7.6.4 of this Information Memorandum.

(vi) Liew Kim Fung, Malaysian, aged 39
Executive Director/ Chief Trader

Liew Kim Fung is our Chief Trader and is mainly responsible for managing our daily trade positions and market making for the gold futures derivative for Bursa Malaysia Derivatives Gold Futures Contract and PT Bursa Komoditi dan Derivatif Indonesia. He graduated with a Bachelor of Information Technology, with a major in Information Technology Management from University of Southern Queensland, Australia in 2004. He later obtained a Postgraduate Certificate in Management from University of Southern Queensland, Australia in 2008.

He founded ABorneu Tours and Travels Sdn Bhd in 2007 where he organised and led tours. In 2010, he joined Opus Technologies Sdn Bhd as a Senior Sales Executive where he was responsible for sales in telecommunication products. In 2012, he joined Kaloti Jewellery DMCC as a Commodities Dealer cum Chinese Translator, where he was responsible for providing advice on clients' trades and cultivating relationships with clients. In 2016, he founded Kim Dahab DMCC, a company incorporated in United Arab Emirates and involved in trading for non-manufactured precious metal and imitation jewellery. Subsequently, the trading business license of Kim Dahab DMCC expired on 23 October 2017 and has not been renewed.

He joined ACE Capital in 2017 as the Chief Trader.

7.2 Substantial shareholders

The profiles of our substantial shareholders are as follows:

(i) ACE Dynamic

The profile of ACE Dynamic is set out in Section 7.1(i) of this Information Memorandum.

(ii) Go Yoong Chang, Malaysian, aged 40
Executive Director/ CEO

The profile of Go Yoong Chang is set out in Section 7.1(ii) of this Information Memorandum.

(iii) Kua Kee Koon, Malaysian, aged 39
Executive Director/ CSO

The profile of Kua Kee Koon is set out in Section 7.1(iii) of this Information Memorandum.

(iv) Fong Pok Yee, Malaysian, aged 44
Executive Director/ CMO

The profile of Fong Pok Yee is set out in Section 7.1(iv) of this Information Memorandum.

(v) Kee Wee Chong, Malaysian, aged 41

The profile of Kee Wee Chong is set out in Section 7.1(v) of this Information Memorandum.

(vi) Liew Kim Fung, Malaysian, aged 39
Executive Director/ Chief Trader

The profile of Liew Kim Fung is set out in Section 7.1(vi) of this Information Memorandum.

7.3 Directors

7.3.1 Profile

The profiles of our Directors are as follows:

(i) Go Yoong Chang, Malaysian, aged 40
Executive Director/ CEO

The profile of Go Yoong Chang is set out in Section 7.1(ii) of this Information Memorandum.

(ii) Kua Kee Koon, Malaysian, aged 39
Executive Director/ CSO

The profile of Kua Kee Koon is set out in Section 7.1(iii) of this Information Memorandum.

(iii) Fong Pok Yee, Malaysian, aged 44
Executive Director/ CMO

The profile of Fong Pok Yee is set out in Section 7.1(iv) of this Information Memorandum.

(iv) Liew Kim Fung, Malaysian, aged 39
Executive Director/ Chief Trader

The profile of Liew Kim Fung is set out in Section 7.1(vi) of this Information Memorandum.

(v) Pua Kiam Hong, Malaysian, aged 40
Independent Non-Executive Director

Pua Kiam Hong is our Independent Non-Executive Director and is responsible for ensuring our Group's businesses are at arm's length and compliant with regulations. He was appointed to the Board on 26 April 2019.

Pua Kiam Hong graduated with a Bachelor of Business in Economics and Finance from Royal Melbourne Institute of Technology in 2000.

He began his career when he joined Price Solutions Sdn Bhd, a wholly-owned subsidiary of Standard Chartered Holdings (Asia Pacific) BV as a Sales Executive in the Mortgage Department in 2001, and was promoted to Team Leader in the Mortgage Department in 2003. During his tenure there, he was responsible for sale of mortgage loans. In 2004, he joined Multiview Packaging Sdn Bhd as a Marketing Manager and subsequently joined CK Packaging & Marketing Sdn Bhd as a Marketing Manager in 2006. He led sales teams in both of these companies in the sale of industrial packaging products.

He later co-founded SY Polymer Industries in 2008, ST Resources Industries Sdn Bhd in 2011 and I-Solution Industries Sdn Bhd in 2013. All of these companies were involved in the trading of packaging material and related products. In 2014, he co-founded SP Cushion Packaging Sdn Bhd , a company involved in the manufacturing of air cushion bag. He later co-founded Blockchain Design Sdn Bhd, a company involved in the sale and distribution of packaging machinery, in 2017. In 2018, he was appointed as Executive Director of Greenpack Solutions Sdn Bhd, a company involved in packaging activities.

7.3.2 Further information on our Directors

None of our Directors:

(i) are undischarged bankrupts nor are they subject to any proceedings under bankruptcy laws;

(ii) have ever been charged with, convicted for or compounded for any offence under securities laws, corporation laws or any other laws involving bribery, fraud or dishonesty in a court of law;

(iii) have ever had any action taken against them for any breach for the listing requirements or rules issued by Bursa Securities, for the past 5 years; and

(iv) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past 5 years.

7.4 Key management

The profiles of our key management are as follows:

(i) Go Yoong Chang, Malaysian, aged 40
Executive Director/ CEO

The profile of Go Yoong Chang is set out in Section 7.1(ii) of this Information Memorandum.

(ii) Kua Kee Koon, Malaysian, aged 39
Executive Director/ CSO

The profile of Kua Kee Koon is set out in Section 7.1(iii) of this Information Memorandum.

(iii) Fong Pok Yee, Malaysian, aged 44
Executive Director/ CMO

The profile of Fong Pok Yee is set out in Section 7.3.1(iv) of this Information Memorandum.

(iv) Liew Kim Fung, Malaysian, aged 39
Executive Director/ Chief Trader

The profile of Liew Kim Fung is set out in Section 7.3.1(vi) of this Information Memorandum.

(v) Samuel Sia Hsiao Guong, Malaysian, aged 30
CFO

Samuel Sia Hsiao Guong is our CFO and is responsible for overseeing our Group's financial operations. He obtained his Association of Chartered Certified Accountant (ACCA) membership in 2013 and is also a member of the Malaysian Institute of Accountants (MIA) since 2015.

He began his career with BDO Malaysia as an Audit Associate in 2010, where he was responsible for ensuring that the accounts were free from material errors. He was promoted to Senior Associate and Assistant Manager in 2011 and 2014 respectively. In 2015, he was promoted to Manager where he oversaw a team of associates and further promoted to Senior Manager in 2016. In the same year, he joined Deloitte LLP as Manager of an audit team. In 2017, he joined Herman Corporate Advisory Sdn Bhd as a Senior Manager where he provided financial advisory in relation to initial public offerings exercises.

In 2018, he joined ACE Capital as CFO.

(vi) Leong Weng Fai, Malaysian, aged 45
CTO

Leong Weng Fai is our CTO and is responsible for the Information and Technology strategic planning of our Group.

He graduated with a Bachelor of Science in Electrical Engineering from Wichita State University, United States of America in 1996.

He began his career with Carsem (M) Sdn Bhd as a Process Engineer in 1996, where he was responsible for the management of daily operations in semiconductor production. In 1997, he joined KTA Tenaga Sdn Bhd, a mechanical and engineering consultancy firm as an Electrical Engineer. He was primarily involved in project supervision and commissioning of electrical engineering projects. In 1999, he joined PDX Infoworld Sdn Bhd as a Software Engineer, where he was responsible for developing payment gateway solutions. In 2000, he was appointed by IFA Management Sdn Bhd, a company that provides financial consultancy services, as a Director. In 2004, he joined Media Digital Alliance Sdn Bhd as a Software Engineer and was responsible for software development.

In 2005, he joined Alam Teknokrat Sdn Bhd as a Manager where he was responsible for provision of application support to the client. In 2008, he joined CIMB Investment Bank Berhad as a Manager where he was responsible for maintaining the information technology infrastructure. In 2012, he joined M3 Technologies (Asia) Berhad, an SMS gateway company, as a General Manager in the information technology department where he oversaw the daily operations. In 2013, he founded KYN Marketing Sdn Bhd, which is a flooring solutions company as a Director where he was responsible for providing business advisory services to the company.

In 2016, he joined ACE Global as CTO.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(CONT'D)*

7.5 Shareholdings of Promoters, substantial shareholders, Directors and key management

The shareholdings of our Promoters, substantial shareholders, Directors and key management, before and after our Proposed Listing, are set out in the table below:

		Before Proposed Listing				After Proposed Listing			
		Direct		Indirect		Direct		Indirect	
Name	Details	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
ACE Dynamic	Promoter	261,033,000	100.00	-	-	261,033,000	87.00	-	-
Go Yoong Chang	Promoter/ Executive Director/ CEO	-	-	261,033,000*	100.00	-	-	261,033,000*	87.00
Kua Kee Koon	Promoter/ Executive Director/ CSO	-	-	261,033,000*	100.00	-	-	261,033,000*	87.00
Fong Pok Yee	Promoter/ Executive Director/ CMO	-	-	261,033,000*	100.00	-	-	261,033,000*	87.00
Kee Wee Chong	Promoter	-	-	261,033,000*	100.00	-	-	261,033,000*	87.00
Liew Kim Fung	Promoter/ Executive Director/ Chief Trader	-	-	261,033,000*	100.00	-	-	261,033,000*	87.00
Pua Kiam Hong	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Samuel Sia Hsiao Guong	CFO	-	-	-	-	-	-	-	-
Leong Weng Fai	CTO	-	-	-	-	-	-	-	-

Note:

* *Deemed interest by virtue of his shareholdings in ACE Dynamic.*

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7.6 Involvement of our Promoters, substantial shareholder, Directors and key management in businesses/ corporations outside our Group

Save as disclosed below, our Promoters, substantial shareholders, Directors and key management do not have any other directorships in other corporations or interests in any principal business activities performed outside our Group for the past 3 years prior to the LPD:

7.6.1 Go Yoong Chang *(Promoter/ substantial shareholder/ Executive Director/ key management)*

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Present involvement						
ACE Dynamic	Investment holding	Director and shareholder	6 March 2019	-	55.00	-
Gosford Leather Industries Sdn Bhd	Manufacturer of leather products	Director and shareholder	23 January 2019	-	10.00	90.00[(1)]
Gosford Leather Trim (S) Pte Ltd	Manufacture of textiles leather and leather substance	Shareholder	-	-	20.00	80.00[(2)]
SY Polymer Industries Sdn Bhd	Trading of packaging materials and other related products	Director and shareholder	25 August 2014	-	15.00	-
Mobile Valley Sdn Bhd	Dormant	Director and shareholder	29 December 2003	-	20.00	-
ACE Ecoland Sdn Bhd	Buying, selling, renting and operating of self-owned or leased real estate land	Director and shareholder	19 May 2017	-	12.50	12.50[(3)]
ACE Reload Sdn Bhd	Buy and sell u-mobile products, trading in various telecommunications products	Director and shareholder	10 May 2016	-	25.00	-
ACE Marketing & Distribution Sdn Bhd	Property investment and business brokerage	Director and shareholder	14 March 2007	-	50.00	-
Gosford Leather Sdn Bhd	Trading and manufacturing of leather products	Director	5 April 2019	-	-	50.00[(4)]
Eleven Docks Sdn Bhd	Property investors	Director	5 April 2019	-	-	100.00[(5)]

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(CONT'D)*

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Peerless Steel Sdn Bhd	Dormant	Director	5 April 2019	-	-	100.00$^{(6)}$
Trimex Distribution (M) Sdn Bhd	Dealers in automobile accessories and spares	Director	22 March 2019	-	-	100.00$^{(7)}$
Past involvement within 3 years						
Herman Corporate Advisory Sdn Bhd	Other management consultancy activities accounting, bookkeeping, auditing activities and tax consultancy	Director	10 October 2017	15 January 2018	-	-
Sky Asia Jewellers Sdn Bhd	Wholesale of gold jewellery	Director	25 March 2015	19 April 2018	-	-

Notes:

(1) Deemed interest by virtue of him being the brother and brother-in-law of Go Yoong Fei (deceased) and Tan Sun Sun respectively, who hold 480,080 shares and 60,010 shares respectively in Gosford Leather Industries Sdn Bhd.

(2) Deemed interest by virtue of him being the brother and brother-in-law of Connie Go and Tan Sun Sun respectively, who hold 75,000 shares and 125,000 shares respectively in Gosford Leather Trim (S) Pte Ltd.

(3) Deemed interest by virtue of him being the brother of Connie Go, who holds 125 shares in ACE Ecoland Sdn Bhd.

(4) Deemed interest by virtue of him being the brother of Go Yoong Fei (deceased), who holds 1 share in Gosford Leather Sdn Bhd.

(5) Deemed interest by virtue of him being the brother and brother-in-law of Go Yoong Fei (deceased) and Tan Sun Sun respectively, who hold 1,498,000 shares and 2,000 shares respectively in Eleven Docks Sdn Bhd.

(6) Deemed interest by virtue of him being the brother and brother-in-law of Go Yoong Fei (deceased) and Tan Sun Sun respectively, who hold 999,999 shares and 1 share respectively in Peerless Steel Sdn Bhd.

(7) Deemed interest by virtue of him being the brother and brother-in-law of Go Yoong Fei (deceased) and Tan Sun Sun respectively, who hold 79,999 shares and 1 share respectively in Trimex Distribution (M) Sdn Bhd.

7.6.2 Kua Kee Koon *(Promoter/ substantial shareholder/ Executive Director/ key management)*

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Present involvement						
RBN Easy Services Sdn Bhd*	Wholesale of a variety of goods without any particular specialisation	Director and shareholder	5 March 2018	-	50.00	-
ACE Dynamic	Investment holding	Director and shareholder	6 March 2019	-	15.00	-

Note:

* *As at the LPD, the company has yet to commence business.*

7.6.3 Fong Pok Yee *(Promoter/ substantial shareholder/ Executive Director/ key management)*

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Present involvement						
RBN Easy Services Sdn Bhd[(1)]	Wholesale of a variety of goods without any particular specialisation	Director and shareholder	5 March 2018	-	50.00	-
ACE Dynamic	Investment holding	Shareholder	-	-	12.50	-
Past involvement within 3 years						
GBS Aurum Sdn Bhd[(2)]	Wholesale of jewellery	Director and shareholder	18 March 2014	-	25.00	-

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(CONT'D)*

Notes:

(1) As at the LPD, the company has yet to commence business.

(2) The company was dissolved on 13 June 2016.

7.6.4 Kee Wee Chong (*Promoter/ substantial shareholder)*

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Present involvement						
ACE2U Sdn Bhd	Traders in oil palm fruits	Director and shareholder	24 August 2012	-	10.00	40.00(1)
ACE Dynamic	Investment holding	Shareholder	-	-	10.00	-
ACE Superb Breeders Sdn Bhd	Breeding and trading in live aquaculture	Director and shareholder	11 April 2013	-	50.00	50.00(2)
ACE Reload Sdn Bhd	Buy and sell U-mobile products and trading in various telecommunications products	Shareholder	-	-	25.00	-
SY Polymer Industries Sdn Bhd	Trading of packaging materials and other related products	Shareholder	-	-	13.00	-
Master Two Fishing Tackle	Dealing in all kind of fishing equipment, accessories, fish gait and food and also sporting equipment, accessories and ornaments	Business partnership(3)	30 September 2014	-	-	-
ACE Marketing & Distribution Sdn Bhd	Property investment and business brokerage	Shareholder	-	-	-	50.00(4)
Past involvement within 3 years						
Segfleld Carbon Industries (M) Sdn Bhd(5)	Traders and dealers of carbon products, general trading and investment	Shareholder	-	-	25.50	-

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(CONT'D)*

Notes:

(1) Deemed interest by virtue of him being the husband, brother and brother in law to Lim Ting Li, Kee Seow Yu and Lim Meng Hiang respectively, who hold 60,000 shares, 40,000 shares and 60,000 shares respectively in ACE2U Sdn Bhd. Lim Ting Li and Lim Meng Hiang are sisters.

(2) Deemed interest by virtue of him being the husband to Lim Ting Li who holds 50,000 shares in ACE Superb Breeders Sdn Bhd.

(3) A partnership business that is incorporated under Registration of Businesses Act 1956. The expiry date of the business is on 16 September 2019.

(4) Deemed interest by virtue of him being the husband to Lim Ting Li, who holds 50,000 shares in ACE Marketing & Distribution Sdn Bhd.

(5) The company was dissolved on 8 June 2018.

7.6.5 Liew Kim Fung *(Promoter/ substantial shareholder/ Executive Director/ key management)*

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Present involvement						
ACE Dynamic	Investment holding	Shareholder	6 March 2019	-	7.50	-
Past involvement within 3 years						
Kim Dahab DMCC* *(a company incorporated in the United Arab Emirates)*	Non-manufactured precious metal trading and imitation jewellery trading	Director and shareholder	24 October 2016	-	100.00	-

Note:

* *The trading license expired on 23 October 2017.*

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7.6.6 Pua Kiam Hong *(Independent Non-Executive Director)*

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Present involvement						
SY Polymer Industries Sdn Bhd	Trading of packaging materials and other related products	Director and shareholder	14 August 2018	-	45.34	18.00[(1)]
ST Resources Industries Sdn Bhd	Trading of packaging materials and other related products	Director and shareholder	20 July 2011	-	60.00	-
I Solution Industries Sdn Bhd	Business of trading in plastic and papers packaging material	Director and shareholder	18 January 2013	-	33.33	-
SP Cushion Packaging Sdn Bhd	Manufacturing of air cushion bag	Director and shareholder	9 October 2014	-	16.00	-
Blockchain Design Sdn Bhd	Erection, alteration, renovation works, builder and maintenance of building, factories and public and private works manufacturing, servicing, repairing, assembling, operating, installers, maintainers, traders, importers and exporters and general dealers in engineering specialities	Director and shareholder	28 December 2017	-	24.00	50.00[(2)]
Greenpack Solutions Sdn Bhd	Packaging activities on a fee or contract basis, whether or not these involve an automated process import of plastic articles for the packing of goods	Director and shareholder	10 January 2018	-	21.57	-

Notes:

(1) Deemed interest by virtue of him being the spouse of Tan Sze Yee, who holds 126,000 shares in SY Polymer Industries Sdn Bhd.

(2) Deemed interest by virtue of him being the spouse of Tan Sze Yee, who holds 500 shares in Blockchain Design Sdn Bhd.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(CONT'D)*

7.6.7 Leong Weng Fai *(key management)*

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Present involvement						
KYN Marketing Sdn Bhd	General contractors and builders for the construction works	Director and shareholder	3 September 2015	-	20.00	80.00*

Note:

* *Deemed interest by virtue of him being the husband of Lee Huay Nah, who holds 40,000 shares in KYN Marketing Sdn Bhd.*

7.7 Related party transactions

Under the Listing Requirements, a 'related party transaction' is a transaction entered into by a listed corporation or its subsidiaries and a related party, other than a transaction of a revenue nature in the ordinary course of business. A 'related party' of a listed corporation is:

(i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiary or holding company or a chief executive of the listed corporation, its subsidiary or holding company; or

(ii) a major shareholder, means a person who has an interest or interests in 1 or more voting shares in a corporation and the nominal amount of that shares or the aggregate of the nominal amounts of those shares is: 10% of the aggregate of the number of all the voting shares in the corporation; and includes any person who is or was within the preceding 6 months of the date on which terms of the transaction were agreed upon, a major shareholder of the listed corporation or any other corporation which is its subsidiary or holding company; or

(iii) a person connected with such director or major shareholder.

7.7.1 Existing related party transactions

Save as disclosed below, our Board confirms that there are no related party transactions entered into between our Group and our Directors, major shareholders and/or persons connected with them for the FYE 2018 and subsequent period up to the LPD:

			Actual transaction value	
Transacting related parties	**Nature of relationship**	**Nature of transaction**	**FYE 2018 (RM)**	**1 January 2019 up to the LPD (RM)**
Gosford Leather Industries Sdn Bhd and ACE Global	Go Yoong Chang is a director and shareholder of Gosford Leather Industries Sdn Bhd and ACE Global	ACE Global had entered into a transaction with Gosford Leather Industries Sdn Bhd for ACE Global to provide hardware and software installation and software maintenance to Gosford Leather Industries Sdn Bhd	200,150	-
ACE Reload Sdn Bhd and ACE Global	Go Yoong Chang is a director and shareholder of ACE Reload Sdn Bhd and ACE Global	ACE Global had entered into a transaction with ACE Reload Sdn Bhd for ACE Global to provide hardware and software installation and software maintenance to ACE Reload Sdn Bhd	202,250	-

Our Board confirms that these related party transactions were transacted on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders.

It is not the intention of our Group to continue the above related party transactions in the future.

7.7.2 Interest in similar businesses and other conflict of interest

As at the LPD, none of our Promoter, substantial shareholder, Director and key management has any interest, direct or indirect, in other businesses or corporations carrying on a trade similar to that of our Group, our customers and our suppliers.

7.7.3 Other transaction

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party during the FYE 2018 up to the LPD.

There are no outstanding loans, including guarantees of any kind made by our Company to or for the benefit of related parties during the FYE 2018 up to the LPD.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(CONT'D)*

7.8 Moratorium

In compliance with Rule 3.07 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoter as follows:

(i) The moratorium applies to our Promoter's entire shareholdings for a period of 12 months from the date of our admission to the Official List; and

(ii) Upon expiry of the 12 months period stated above, our Promoters' aggregate shareholdings amounting to at least 45% of the total number of issued Shares shall remain under moratorium for another 36 months.

Where the promoter is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will not sell, transfer or assign their securities in the unlisted corporation for the period stipulated above.

The moratorium shall be imposed as follows:

	Shares under moratorium from the first 12 months upon listing		Shares under moratorium for the subsequent 36 months	
Promoter	**No. of Shares**	**%***	**No. of Shares**	**%***
ACE Dynamic	261,033,000	87.00	135,014,850	45.00

Note:

* *Based on our enlarged share capital of 300,033,000 Shares after our Proposed Placement.*

The moratorium, which is fully acknowledged by ACE Dynamic is specifically endorsed on our share certificate representing its shareholding to ensure that our Share Registrar will not register any sale, transfer or assignment that is not in compliance with the above moratorium.

In addition, all the shareholders of ACE Dynamic namely, Go Yoong Chang, Kua Kee Koon, Fong Pok Yee, Kee Wee Chong and Liew Kim Fung have given undertakings to Bursa Securities that they will not sell, transfer or assign their securities in ACE Dynamic for the period stipulated under Rule 3.07 of the Listing Requirements (i.e., 48 months from the date of our admission to the LEAP Market).

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8. FINANCIAL INFORMATION

8.1 Combined statements of profit and loss and other comprehensive income

The following table sets out our combined statements of profit and loss and other comprehensive income for the FYE 2017 and FYE 2018.

	Audited	
	FYE 2017 RM'000	**FYE 2018 RM'000**
Revenue	565,466	1,088,729
Cost of sales	(554,129)	(1,076,972)
GP	**11,337**	**11,757**
Other income	287	1,021
Administrative expenses	(5,541)	(6,385)
Operating profit	**6,083**	**6,393**
Finance costs	(31)	(201)
PBT	**6,052**	**6,192**
Income tax expenses	(1,751)	(1,438)
Profit for the financial years representing total comprehensive income for the financial years	**4,301**	**4,754**
EBITDA[(1)]	6,287	6,757
Basic EPS (sen)[(2)]	1.43	1.58
GP margin (%)	2.00	1.08
PBT margin (%)	1.07	0.57
PAT margin (%)	0.76	0.44
Effective tax rate (%)	28.93	23.22

Notes:

(1) EBITDA is computed as follows:

	Audited	
	FYE 2017 RM'000	***FYE 2018 RM'000***
PBT	*6,052*	*6,192*
Add/(Less)		
Interest expense	*31*	*201*
Interest income	*(64)*	*(66)*
Depreciation	*268*	*430*
	6,287	***6,757***

(2) Computed based on PAT divided by our enlarged share capital of 300,033,000 Shares after our Proposed Placement.

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8.2 Combined statements of financial position

The following table sets out our combined statements of financial position as at 31 December 2017 and 31 December 2018.

	Audited	
	As at 31 December 2017 RM'000	**As at 31 December 2018 RM'000**
ASSETS		
Non-current assets		
Property, plant and equipment	1,182	2,792
Deferred tax assets	-	344
Total non-current assets	**1,182**	**3,136**
Current assets		
Inventories	4,101	1,201
Trade and other receivables	34,141	19,631
Cash and short-term deposits	1,379	3,453
Total current assets	**39,621**	**24,285**
TOTAL ASSETS	**40,803**	**27,421**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Group		
Invested equity	1,000	1,000
Retained profits	7,501	12,255
Total equity	**8,501**	**13,255**
Non-current liabilities		
Loans and borrowings*	98	726
Deferred tax liabilities	58	27
Total non-current liabilities	**156**	**753**
Current liabilities		
Loans and borrowings*	92	279
Current tax liabilities	1,615	397
Trade and other payables	30,439	12,737
Total current liabilities	**32,146**	**13,413**
TOTAL LIABILITIES	**32,302**	**14,166**
TOTAL EQUITY AND LIABILITIES	**40,803**	**27,421**

Note:

* *Comprising term loans and finance lease liabilities.*

After taking into consideration our cash and bank balances and expected cash flows to be generated from our operations, our Board is of the view that we have sufficient working capital for a period of 12 months from the date of this Information Memorandum.

8.3 Pro forma statement of financial position

The pro forma statement of financial position of our Group as at 31 December 2018 has been prepared for illustrative purposes only and after making such adjustments as considered necessary, assuming that our Group had been in existence as at 5 March 2019 (being the incorporation date of our Company), and our Proposed Placement and Proposed Listing are completed on that date.

	As at 5 March 2019 RM'000	**(I) Adjusted for subsequent events[(1)] RM'000**	**(II) After (I) and our Proposed Placement[(2)] RM'000**	**(III) After (II) and utilisation of proceeds[(4)] RM'000**
ASSETS				
Non-current assets				
Property, plant and equipment	-	2,792	2,792	2,992
Deferred tax assets	-	344	344	344
Total non-current assets	**-**	**3,136**	**3,136**	**3,336**
Current assets				
Inventories	-	1,201	1,201	9,647
Trade and other receivables	-	19,631	19,631	20,141
Cash and short-term deposits	*	1,453	11,593	1,517
Total current assets	*****	**22,285**	**32,425**	**31,305**
TOTAL ASSETS	*****	**25,421**	**35,561**	**34,641**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Group				
Share capital	*	13,052	23,192	23,100
Reorganisation reserve	-	(12,052)	(12,052)	(12,052)
Retained earnings	-	10,255	10,255	9,427
Total equity	*****	**11,255**	**21,395**	**20,475**
Non-current liabilities				
Loans and borrowings	-	726	726	726
Deferred tax liabilities	-	27	27	27
Total non-current liabilities	**-**	**753**	**753**	**753**
Current liabilities				
Loans and borrowings	-	279	279	279
Current tax liabilities	-	397	397	397
Trade and other payables	-	12,737	12,737	12,737
Total current liabilities	**-**	**13,413**	**13,413**	**13,413**
Total liabilities	**-**	**14,166**	**14,166**	**14,166**
TOTAL EQUITY AND LIABILITIES	*****	**25,421**	**35,561**	**34,641**
No. of Shares in issue ('000)	**@**	**261,033**	**300,033**	**300,033**
NA per Share (RM)	**1**	**0.04**	**0.07[(3)]**	**0.07**

Notes:

* *RM1.00.*

@ *1 Share.*

(1) Comprise the following subsequent events:

(a) Acquisitions; and

(b) Dividend payment of RM2.00 million.

(2) After the issuance of 39,000,000 Shares at the Indicative Issue Price pursuant to our Proposed Placement.

(3) Computed based on enlarged share capital of 300,033,000 Shares in issue after our Proposed Placement.

(4) Refer to Section 2.5 of this Information Memorandum for further details on the proposed utilisation of proceeds.

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8. FINANCIAL INFORMATION *(CONT'D)*

8.4 Combined statements of cash flows

The following table sets out our combined statements of cash flows for the FYE 2017 and FYE 2018.

	Audited	
	FYE 2017 RM'000	**FYE 2018 RM'000**
Cash flows from operating activities		
PBT	6,052	6,192
Adjustments for:		
Depreciation of property, plant and equipment	268	430
Gain on disposal of property, plant and equipment	-	(34)
Net unrealised foreign exchange loss	1,741	1,433
Interest expense	31	201
Interest income	(64)	(66)
Operating profit before working capital changes	**8,028**	**8,156**
Changes in working capital		
Inventories	(3,857)	2,900
Receivables	(27,426)	14,331
Payables	24,762	(17,001)
Cash generated from operations	**1,507**	**8,386**
Income tax paid	(1,093)	(3,031)
Interest received	64	66
Net cash from operating activities	**478**	**5,421**
Cash flows from investing activities		
Purchase of property, plant and equipment	(415)	(1,006)
Proceeds from disposal of property, plant and equipment	-	109
Placement of deposits	(200)	(41)
Net cash used in investing activities	**(615)**	**(938)**
Cash flows from financing activities		
Net change in amount due from related parties	325	(775)
Net change in amount due from/(to) directors	(66)	(54)
Net change in amount due from/(to) shareholders	(78)	(41)
Repayment of finance lease liabilities	(92)	(289)
Repayment of term loan	-	(6)
Interests paid	(31)	(201)
Net cash from / (used in) financing activities	**58**	**(1,366)**
Net (decrease)/ increase in cash and cash equivalents	(79)	3,117
Cash and cash equivalents at the beginning of the financial year	2,951	924
Effect of exchange rate changes on cash and cash equivalents	(1,948)	(1,084)
Cash and cash equivalents at the end of the financial year	**924**	**2,957**

(a) Net cash flow from / used in operating activities

FYE 2017

For the FYE 2017, our operating profit before working capital changes was RM8.03 million. After adjusting for the following main items, our Group recorded net cash inflows from operating activities amounted to approximately RM0.48 million:

(i) increase in inventories to RM3.86 million to meet the higher demand from customers following the launching of our GTP Easy platform in 2017. Our inventory level increased to 23.96 kilograms as at 31 December 2017 (31 December 2016: 1.47 kilograms);

(ii) increase in receivables to RM27.43 million mainly due to increase in our GST receivables due from the Royal Malaysian Customs Department of RM11.54 million as well as the increase in trade receivables of RM17.65 million arising from the increased balance due to us in the margin trade facilities account offered to us by international bullion traders and/or refineries for hedging purposes*;

(iii) increase in payables to RM24.76 million mainly due to advances from a Director of RM7.74 million for working capital purposes and increase in trade payables of RM18.44 million arising from the increased balance due from us in the margin trade facilities account offered to us by international bullion traders and/or refineries for hedging purposes*. The increase in payables was partially off-set by the repayment of other payables of RM1.65 million; and

(iv) income tax paid of RM1.09 million.

Note:

* *Please refer to Sections 3.1 and 4.6(iii) of this Information Memorandum for further information on the margin trade facilities and paper gold trading for hedging purposes.*

FYE 2018

For the FYE 2018, our operating profit before working capital changes generated was RM8.16 million. After adjusting for the following main items, our Group recorded net cash inflows from operating activities amounted to approximately RM5.42 million:

(i) decrease in inventories to RM2.90 million mainly due to absence of delay in the delivery of scrap gold bars and cast gold bars to customers in December 2018. The December 2017 shipment of our products to customers was delayed as certain terms and conditions were still being finalised;

(ii) decrease in receivables to RM14.33 million mainly due to decrease of our trade receivables amounting to RM11.43 million arising from the decreased balance due to us in the margin trade facilities account offered to us by international bullion traders and/or refineries for hedging purposes*, and receipt of RM1.99 million in GST refunds from the Royal Malaysian Customs Department;

(iii) decrease in payables to RM17.00 million mainly due to repayment of amount owing to Director of RM7.02 million and decrease in trade payables amounting to RM9.18 million arising from the decreased balance due from us in the margin trade facilities account offered to us by international bullion traders and/or refineries for hedging purposes*; and

(iv) income tax paid of RM3.03 million.

Note:

* *Please refer to Sections 3.1 and 4.6(iii) of this Information Memorandum for further information on the margin trade facilities and paper gold trading for hedging purposes.*

(b) Net cash flow used in investing activities

FYE 2017

For the FYE 2017, our Group recorded net cash used in investing activities of approximately RM0.62 million mainly for the purchase of 2 motor vehicles as well as our ERP licence cost amounting to RM0.42 million. The remaining RM0.20 million was for fixed deposit placement as collateral for banking facilities.

FYE 2018

For the FYE 2018, our Group recorded net cash used in investing activities of approximately of RM0.94 million for the purchase of 4 motor vehicles, a double storey terrace house in Subang Jaya as accommodation for staff and renovation of the same property.

(c) Net cash flow from / used in financing activities

FYE 2017

For the FYE 2017, our Group recorded net cash generated from financing activities of RM0.06 million, mainly attributed to the following:

(i) advances from a related party (i.e. Sky Asia Jewellers Sdn Bhd, a company in which Go Yoong Chang was a director and he resigned as a director on 19 April 2018.) of RM0.33 million;

(ii) repayment of advances to our Directors and shareholders of RM0.06 million;

(iii) advances to our Directors and shareholders of RM0.08 million; and

(iv) repayment of financial lease liabilities of RM0.09 million.

FYE 2018

For the FYE 2018, our Group recorded net cash used in financing activities of RM1.37 million, mainly attributed to the following:

(i) repayment of advances to a related party (i.e. Sky Asia Jewellers Sdn Bhd a company in which Go Yoong Chang was a director and he resigned as a director on 19 April 2018.) of RM0.78 million;

(ii) repayment of advances to our Directors and shareholders of RM0.18 million;

(iii) repayment of advances from our Directors and shareholders of RM0.08 million;

(iv) repayment of bank borrowings of RM0.29 million; and

(v) interest paid of RM0.20 million arising from interest charged on margin trade facilities utilised for paper gold trade.

9. MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with the historical financial information as set out in Section 8 of this Information Memorandum.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, particularly in the section entitled “Risk Factors” set out in Section 5 of this Information Memorandum.

9.1 Overview

Our Company is principally an investment holding company, whilst our subsidiaries are principally involved in gold bullion trading of physical gold products (i.e. scrap gold bars, cast gold bars and minted gold bars) and related activities such as provision of assaying services and market making for Bursa Malaysia Derivatives Gold Futures Contract and PT Bursa Komoditi dan Derivatif Indonesia.

As at the LPD, we have not received any commission as there has not been any significant trading volume on Bursa Malaysia Derivatives Gold Futures Contract and PT Bursa Komoditi dan Derivatif Indonesia.

9.2 Revenue

Our Group’s revenue for the financial years under review are analysed as follows:

(a) By product group

	FYE 2017		FYE 2018	
	RM’000	**%**	**RM’000**	**%**
Physical gold bars				
Scrap gold bar	422,533	74.72	487,121	44.74
Cast gold bar	142,862	25.27	601,053	55.21
Minted gold bar	-	-	28	Neg
	565,395	99.99	1,088,202	99.95
Others				
Assaying services[(1)]	71	0.01	125	0.01
ICT services[(2)]	-	-	402	0.04
Total	**565,466**	**100.00**	**1,088,729**	**100.00**

Notes:

Neg Negligible.

(1) Provision of assaying services to third parties.

(2) Comprising hardware and software installation and software maintenance to Gosford Leather Industries Sdn Bhd and ACE Reload Sdn Bhd whereby Go Yoong Chang is a director and shareholder of both companies. It is not the intention of the Group to provide such services to any related party in the future and thus, ICT services is not deemed as a principal activity of our Group.

9. MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

(b) By geographical location

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
Malaysia	49,652	8.78	688,368	63.23
Singapore	515,814	91.22	400,361	36.77
Total	**565,466**	**100.00**	**1,088,729**	**100.00**

(c) By company

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
ACE Capital	565,391	99.99	1,088,202	99.95
ACE Global	1,757	0.31	1,205	0.11
ACE Assay	87	0.01	163	0.02
	567,235	100.31	1,089,570	100.08
Inter-company elimination	(1,769)	(0.31)	(841)	(0.08)
Total	**565,466**	**100.00**	**1,088,729**	**100.00**

FYE 2018 as compared to FYE 2017

Our revenue increased by approximately RM523.26 million or 92.54% to RM1.09 billion in the FYE 2018 (FYE 2017: RM565.47 million) mainly due to the following:

(i) Increase in revenue from scrap gold bar and cast gold bar by RM64.59 million to RM487.12 million in the FYE 2018 (FYE 2017: RM422.53 million) and by RM458.19 million to RM601.05 million (FYE 2017: RM142.86 million), respectively attributed by the increase in local customer base as a result from the marketing activities organised by our sales team as well as participation in various jewellery fairs and/or trade shows, such as Penang Signature Gold Fair, 2018 and Philip Capital 9th Annual Investment Conference, 2018.

The number of local GTP Easy platform users increased by 175 users to 299 users in the FYE 2018 (FYE 2017: 124 users) which contributed to the higher trading volume of scrap gold bars by 535 kilograms to 2,962 kilograms in the FYE 2018 (FYE 2017: 2,427 kilograms); and

(ii) Increase in revenue contributed from our scrap gold bar, cast gold bar and minted gold bar in Malaysia as follows:

	FYE 2017	FYE 2018	Increase in revenue	
Malaysia	**RM'000**	**RM'000**	**RM'000**	**%**
Scrap gold bar	36,373	104,331	67,958	186.84
Cast gold bar	13,209	583,482	570,273	4,317.29
Minted gold bar	-	28	28	-
Total	**49,582**	**687,841**	**638,259**	**1,287.28**

The above increase in gold demand was mainly arising from the zerorisation of GST in June 2018, which granted tax free for scrap gold bar and cast gold bar as investment tools and commodities.

Notwithstanding the above, the revenue contributed from Singapore decreased by RM115.45 million to RM400.36 million in the FYE 2018 (FYE 2017: RM515.81 million) as our Group prioritised in fulfilling the demand of local customers which increased significantly after the zerorisation of GST and exemption of physical gold products from SST.

9. MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

9.3 Cost of sales

The table below sets forth the breakdown of our costs of sales for the financial years under review:

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
Cost of gold purchased	553,681	99.92	1,076,227	99.93
Premium fee(1)	4	Neg	219	0.02
Staff salaries and commission	391	0.07	481	0.05
Other cost of sales(2)	53	0.01	45	Neg
Total	**554,129**	**100.00**	**1,076,972**	**100.00**

Notes:

Neg Negligible.

(1) The additional fee charged by international bullion traders and refineries to manufacture cast gold bars and minted gold bars.

(2) Comprising transportation charges and logistics fee.

Our cost of sales for the financial years under review are analysed as follows:

(i) By product group

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
Physical gold bars				
Scrap gold bar	412,013	74.35	478,822	44.46
Cast gold bar	142,017	25.63	597,683	55.50
Minted gold bar	-	-	26	Neg
	554,030	99.98	1,076,531	99.96
Others				
Assaying services	99	0.02	93	0.01
ICT services	-	-	348	0.03
Total	**554,129**	**100.00**	**1,076,972**	**100.00**

(ii) By geographical location

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
Malaysia	48,565	8.76	681,656	63.29
Singapore	505,564	91.24	395,316	36.71
Total	**554,129**	**100.00**	**1,076,972**	**100.00**

(iii) By company

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
ACE Capital	554,030	99.98	1,076,532	99.96
ACE Global	1,753	0.32	348	0.03
ACE Assay	115	0.02	130	0.01
	555,898	100.32	1,077,010	100.00
Inter-company elimination	(1,769)	(0.32)	(38)	Neg
Total	**554,129**	**100.00**	**1,076,972**	**100.00**

9. MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

FYE 2018 as compared to FYE 2017

The cost of physical gold products purchased formed the largest cost component of the total cost of sales during the years under review. Our cost of sales increased by approximately RM522.84 million or 94.35% to RM1.08 billion in the FYE 2018 (FYE 2017: RM554.13 million) mainly due to the increase in physical gold products purchased during the year which is in line with the increase in revenue of approximately 92.54%.

9.4 GP and GP margin

Our GP and GP margin for the financial years under review are analysed as follows:

(i) By product group

	FYE 2017		FYE 2018	
GP	**RM'000**	**%**	**RM'000**	**%**
Physical gold bar				
Scrap gold bar	10,520	92.79	8,299	70.59
Cast gold bar	845	7.45	3,370	28.66
Minted gold bar	-	-	2	0.02
	11,365	100.24	11,671	99.27
Others				
Assaying services	(28)	(0.24)	32	0.27
ICT services	-	-	54	0.46
Total	**11,337**	**100.00**	**11,757**	**100.00**

	FYE 2017	FYE 2018
GP margin	**%**	**%**
Physical gold bar		
Scrap gold bar	2.49	1.70
Cast gold bar	0.59	0.56
Minted gold bar	-	7.14
Others		
Assaying services	(39.44)	25.60
ICT services	-	13.43
Overall	**2.00**	**1.08**

(ii) By geographical location

	FYE 2017		FYE 2018	
GP	**RM'000**	**%**	**RM'000**	**%**
Malaysia	1,088	9.60	6,712	57.09
Singapore	10,249	90.40	5,045	42.91
Total	**11,337**	**100.00**	**11,757**	**100.00**

	FYE 2017	FYE 2018
GP margin	**%**	**%**
Malaysia	2.19	0.98
Singapore	1.99	1.26
Overall	**2.00**	**1.08**

9. MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

(iii) By company

	FYE 2017		FYE 2018	
GP	**RM'000**	**%**	**RM'000**	**%**
ACE Capital	11,361	100.21	11,670	99.26
ACE Global	4	0.04	857	7.29
ACE Assay	(28)	(0.25)	33	0.28
	11,337	100.00	12,560	106.83
Inter-company elimination	-	-	(803)	(6.83)
Total	**11,337**	**100.00**	**11,757**	**100.00**

	FYE 2017	FYE 2018
GP margin	**%**	**%**
ACE Capital	2.01	1.07
ACE Global	0.23	71.12
ACE Assay	(32.18)	20.25
Overall	**2.00**	**1.08**

FYE 2018 as compared to FYE 2017

Our GP increased by approximately RM0.42 million or 3.70% to RM11.76 million in the FYE 2018 (FYE 2017: RM11.34 million) mainly due to increase in revenue from the sale of cast gold bar.

ACE Assay recorded a GP of RM33,000 for the FYE 2018 (FYE 2017: gross loss of RM28,000) as a result of higher revenue of RM163,000 (FYE 2017: RM87,000). The revenue of ACE Assay was lower in the FYE 2017 as it only commenced business in April 2017.

Notwithstanding the above, our overall GP margin decreased from approximately 2.00% in the FYE 2017 to 1.08% in the FYE 2018, which was mainly attributable to the following:

(i) change in product mix with higher volume of cast gold bars sold. Cast gold bars have lower GP margin of 0.59% in the FYE 2017 and 0.56% in the FYE 2018 as compared to scrap gold bar of 2.49% in the FYE 2017 and 1.70% in the FYE 2018; and

(ii) increase in pricing competition after the zerorisation of GST and exemption of physical gold products from SST. We have reduced our spread to remain competitive and to improve sales volume.

9.5 Other income

The table below sets forth the breakdown of our other income for the financial years under review:

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
Commission income	46	16.03	11	1.08
Gain on disposal of property, plant and equipment	-	-	34	3.33
Interest income	64	22.30	66	6.46
Gain on paper trade	121	42.16	806	78.94
Sale of silver	-	-	70*(1)*	6.86
Others	56*(2)*	19.51	34*(3)*	3.33
Total	**287**	**100.00**	**1,021**	**100.00**

9. MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

Notes:

(1) Arising as a residue from the refinery of mined gold from a supplier.

(2) Comprising income from the sale of an air filtration system and residue from the gold cooling process.

(3) Comprising income from the sale of an air filtration system.

FYE 2018 as compared to FYE 2017

Our other income increased by RM0.73 million or 255.75% to RM1.02 million in the FYE 2018 (FYE 2017: RM0.29 million) mainly due to increase in gain on paper trade to RM0.81 million (FYE 2017: RM0.12 million) as a result of our Group benefiting from the price arbitration arising from differences between international bullion traders and/or refineries' platforms.

9.6 Administrative expenses

The table below sets forth the breakdown of our administrative expenses for the financial years under review:

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
Employee costs and benefits	2,178	39.31	2,528	40.30
Depreciation	268	4.84	430	6.73
Rental of premises	103	1.86	84	1.32
Insurance costs	76	1.37	252	3.95
Professional fees	99	1.79	159	2.49
Travelling expenses	253	4.56	476	7.45
Upkeep and maintenance property, plant and equipment	209	3.77	184	2.88
Utilities and telecommunication expenses	72	1.30	144	2.26
Realised foreign exchange loss	238	4.29	183	2.87
Unrealised foreign exchange loss	1,741	31.42	1,433	22.44
Other*	304	5.49	512	7.31
Total	**5,541**	**100.00**	**6,385**	**100.00**

Note:

* *Comprising postage, printing stationeries and miscellaneous expenses.*

FYE 2018 as compared to FYE 2017

Our administrative expenses increased by approximately RM0.84 million or 15.23% to RM6.39 million in the FYE 2018 (FYE 2017: RM5.54 million) mainly due to:

(i) Increase in employee costs and benefits as a result of the increase in number of staff to 40 in the FYE 2018 (FYE 2017: 19 staff);

(ii) Increase in depreciation as a result of the increase in property, plant and equipment by RM1.61 million to RM2.79 million in the FYE 2018 (FYE 2017: RM1.18 million) arising mainly from the acquisition of property, renovation, purchase of computers and other office equipment and purchase of motor vehicles;

(iii) Increase in insurance costs as a result of an increase in insurance coverage from RM1.0 million to RM10.0 million in the FYE 2018 to cater for higher imports of cast gold bars in the FYE 2018; and

9. MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

(iv) Increase in travelling costs as a result of higher reimbursements to marketing staff for marketing activities in the FYE 2018.

9.7 Finance costs

The table below sets forth the breakdown of our finance costs for the financial years under review:

	FYE 2017		FYE 2018	
	RM'000	**%**	**RM'000**	**%**
Term loan interest	-	-	5	2.49
Finance lease liabilities interest	11	34.38	26	12.93
Bank charges	20	65.62	34	16.92
Margin trade interest	-	-	136	67.66
Total	**31**	**100.00**	**201**	**100.00**

FYE 2018 as compared to FYE 2017

Our finance costs increase by RM0.17 million or 528.13% to RM0.20 million in the FYE 2018 (FYE 2017: RM0.03 million) mainly due to:

(i) Interest charged on margin trade facilities utilised for paper gold trade in the FYE 2018 of RM0.14 million (FYE 2017: Nil); and

(ii) Increase in term loan interest due to loan drawdown for the purchase of a double storey terrace house in Subang Jaya for staff accommodation as well as increase in finance lease liabilities due to additional 4 motor vehicles purchased.

9.8 Income tax expenses

The table below sets forth the effective tax rate for the financial years under review:

	FYE 2017	**FYE 2018**
Income tax expenses (RM'000)	1,751	1,438
Effective tax rate (%)*	28.93	23.22

Note:

* *Computed based on income tax expenses divided by PBT of respective financial years under review.*

FYE 2018 as compared to FYE 2017

The effective rate for the FYE 2018 is lower than the statutory tax rate of 24% mainly due to over provision in the prior year.

9.9 PAT and PAT margin

The table below sets forth the PAT and PAT margin for the financial years under review:

	FYE 2017	**FYE 2018**
PAT (RM'000)	4,301	4,754
PAT margin (%)	0.76	0.44

9. MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

FYE 2018 as compared to FYE 2017

Our PAT increased by approximately RM0.45 million or 17.94% to RM4.75 million in the FYE 2018 (FYE 2017: RM4.30 million) mainly due to the increase in our revenue and GP as explained above.

However, our Group overall PAT margin decreased to 0.44% for the FYE 2018 (FYE 2017: 0.76%) as a result of lower GP margin as explained above.

9.10 Key financial ratios

	FYE 2017	**FYE 2018**
Trade receivables turnover period (days) *(1)*	12.28	2.67
Trade payables turnover period (days) *(2)*	18.78	4.12
Current ratio (times) *(3)*	1.23	1.81
Gearing ratio (times) *(4)*	0.02	0.08

Notes:

(1) $\dfrac{\textit{Trade receivables}}{\textit{Revenue}}$ *X* *No. of days in that year*

(2) $\dfrac{\textit{Trade payables}}{\textit{Cost of sales}}$ *X* *No. of days in that year*

(3) $\dfrac{\textit{Total current assets}}{\textit{Total current liabilities}}$

(4) $\dfrac{\textit{Total borrowings}}{\textit{Shareholders' equity}}$

9.11 Trade receivables

A summary of our Group's trade receivables for the financial years under review is as follows:

	As at 31 December 2017 (RM'000)	**As at 31 December 2018 (RM'000)**
Trade receivables	19,019	7,964
Revenue	565,466	1,088,729
Trade receivable turnover period (days)	12.28	2.67

Approximately 80%-90% of the value of gold sold is paid upon delivery of physical gold products to customers while the balance is paid upon confirmation of the purity of gold after assaying.

As such, we do not grant any credit terms to our customers in respect of our trade receivables from the sale of physical gold products which are normally due from the date of invoice except for the remaining portion which are subject to the outcome of assaying which will be paid upon finalisation of assaying.

Meanwhile, the credit terms for ICT services is up to 90 days from the date of invoice.

Included in the trade receivables is an amount of RM4.96 million in the FYE 2018 (FYE 2017: RM18.74 million), placed in the margin trade facilities provided by international bullion traders and/or refineries for the purpose of gold trading. The amount is recoverable on demand through cash and cash equivalents.

As at the LPD, we have collected RM2.99 million or 99.5% (excluding trade receivables arising from margin trade facilities) of the trade receivables outstanding as at 31 December 2018.

9. MANAGEMENT DISCUSSION AND ANALYSIS *(CONT'D)*

9.12 Trade payables

	As at 31 December 2017 (RM'000)	As at 31 December 2018 (RM'000)
Trade payables	28,520	12,183
Cost of sales	554,129	1,076,972
Trade payables turnover period (days)	18.79	4.13

No credit terms are granted by our suppliers for the purchase of cast gold bars.

Approximately 80%-90% of the value of scrap gold bars purchased is paid upon our collection of the scrap gold bars while the balance is paid upon confirmation of the purity of gold after assaying.

Included in the trade payables is an amount of RM8.47 million in the FYE 2018 (FYE 2017: RM7.74 million), being GST amount payable to suppliers, which is unsecured, non-interest bearing and payable upon GST refund received from the Royal Malaysian Customs Department; and the trade payables of RM1.85 million in the FYE 2018 (FYE 2017: RM5.33 million), being credit utilised from the margin trade facilities provided by the international bullion traders and/or refineries for the purpose of gold trading. The amount is payable on demand through cash and cash equivalents.

As at the LPD, we have paid RM8.75 million or 71.80% of the trade payables outstanding as at 31 December 2018.

9.13 Current ratio

Current ratio has improved to 1.81 times in the FYE 2018 (FYE 2017: 1.23 times) mainly due to the increase in our cash and short-term deposits by RM2.07 million to RM3.45 million in the FYE 2018 (FYE 2017: RM1.38 million) coupled with significant decrease in trade and other payables by RM17.70 million to RM12.74 million in the FYE 2018 (FYE 2017: RM30.44 million).

9.14 Gearing ratio

Gearing ratio increased to 0.08 times in the FYE 2018 (FYE 2017: 0.02 times) mainly due to additional bank loan obtained amounting to RM0.45 million for the purchase of a double storey terrace house in Subang Jaya for staff accommodation and 4 motor vehicles.

9.15 Significant factors affecting our financial position and results of operations

Section 5 "Risk Factors" of this Information Memorandum details several risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our financial position and results of operations. You should consider carefully the risk factors set out therein before making a decision on whether an investment in our Shares is suitable for you in light of your circumstances, risk appetite and financial resources.

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10. OTHER INFORMATION

10.1 Material contracts

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered by our Group within the 2 years immediately preceding the date of this Information Memorandum:

(i) Sale and purchase agreement dated 27 September 2017 between Kwan Siew Pang and Tiang Kui Ching as vendors and ACE Capital as purchaser for the sale and purchase of 1 residential unit known as double-storey terrace house erected on a piece of freehold land and held under individual title Geran No. 253563 Lot No. 23228, Pekan Subang Jaya, District of Petaling, State of Selangor bearing postal address No. 62, Jalan USJ 5/1, 47600 Subang Jaya, Selangor for a cash consideration of RM750,000. The transaction was completion on 23 May 2018;

(ii) ACE Capital SSA dated 8 May 2019 made between AIAB as purchaser and Go Yoong Chang, Kee Wee Chong and Ong Li Ling, the shareholders of ACE Capital for the purchase of the entire shares in the ACE Capital in which the purchase consideration for the acquisition was settled via issuance of new AIAB Shares to ACE Dynamic. The acquisition was completed on 24 June 2019;

(iii) ACE Global SSA dated 8 May 2019 made between AIAB as purchaser and Careen Tan Kai Lin, Fong Pok Yee, Liew Kim Fung, Go Yoong Chang, Kua Kee Koon and Leong Weng Fai, the shareholders of ACE Global for the purchase of the entire shares in the ACE Global in which the purchase consideration for the acquisition was settled via issuance of new AIAB Shares to ACE Dynamic. The acquisition was completed on 24 June 2019;

(iv) ACE Assay SSA dated 8 May 2019 made between AIAB as purchaser and Go Yoong Chang, the shareholder of ACE Assay for the purchase of the entire shares in the ACE Assay in which the purchase consideration for the acquisition was settled via issuance of new AIAB Shares to ACE Dynamic. The acquisition was completed on 24 June 2019; and

(v) Letter of offer dated 31 May 2019 between ACE Capital and Gan Bee Cheng, whereby Gan Bee Cheng agreed to sell, and ACE Capital agreed to purchase the entire 4-storey of shop-lot office bearing postal address No. 19-0 to 19-3, Project Jaya Industrial Estate Batu 6, Jalan Klang Lama, 58200, for a cash consideration of RM2.6 million.

10.2 Material litigation

As at the LPD, we are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and our Board does not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business.

10.3 Contingent liabilities

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have a material impact on our financial position and business.

10.4 Declaration by advisers

(i) TA Securities confirms that there is no existing or potential conflict of interest in its capacity as the Approved Adviser, Placement Agent and Continuing Adviser pursuant to our Proposed Listing.

(ii) Baker Tilly Monteiro Heng PLT confirms that there is no existing or potential conflict of interests in its capacity as the Auditors and Reporting Accountants for our Proposed Listing.

(iii) Olivia Lim & Co confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors for our Proposed Listing.

10. OTHER INFORMATION *(CONT'D)*

(iv) Providence Strategic Partners Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our Proposed Listing.

10.5 Responsibility statements

Our Directors have seen and approved this Information Memorandum. They collectively and individually accept full responsibility for the accuracy of the information contained in this Information Memorandum. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there are no false or misleading statements or other facts which if omitted, would make any statement in this Information Memorandum false or misleading.

TA Securities, being the Approved Adviser, Placement Agent and Continuing Adviser, acknowledges that, based on all available information and to the best of their knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning our Proposed Placement and Proposed Listing.

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APPENDIX I

REPORT ON THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS OF AIAB FOR THE FYE 2017 AND FYE 2018

bakertilly

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(LLP0019411-LCA)
Chartered Accountants (AF 0117)
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20 June 2019

The Board of Directors
ACE Innovate Asia Berhad
19-1, Jalan USJ 10/1D
Taipan Business Centre
47620 Subang Jaya
Selangor Darul Ehsan, Malaysia

Dear Sirs,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of ACE Innovate Asia Berhad

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Opinion

We have audited the accompanying combined financial statements contained of ACE Innovate Asia Berhad as defined in Note 2 to the combined financial statements (the "Group"), which comprise of the combined statements of financial position of the Group as at 31 December 2017 and 31 December 2018, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 December 2017 and 31 December 2018, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 5 to 69.

In our opinion, the accompanying combined financial statements gives a true and fair view of the combined financial position of ACE Innovate Asia Berhad as at 31 December 2017 and 31 December 2018 and of their combined financial performance and their combined cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of ACE Innovate Asia Berhad and the Group in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Combined Financial Statements

The directors of ACE Innovate Asia Berhad are responsible for the preparation of combined financial statements contained in the Accountants' Report of the Group so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors of ACE Innovate Asia Berhad are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of ACE Innovate Asia Berhad are responsible for overseeing the Group's financial reporting process.

Reporting Accountants' Responsibilities for the Audit of Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

ACE INNOVATE ASIA BERHAD
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of Combined Financial Statements (continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the directors of the Company and to comply with the LEAP Market Listing Requirements issued by the Bursa Malaysia Securities Berhad and for inclusion in the Information Memorandum of ACE Innovate Asia Berhad in connection with the proposed listing and quotation of its entire issued share capital on the LEAP Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT	Heng Fu Joe
LLP0019411-LCA & AF 0117	No. 02966/11/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 20 June 2019

STATEMENT BY DIRECTORS

We, **GO YOONG CHANG** and **KUA KEE KOON**, being two of the directors of ACE INOVATE ASIA BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 31 December 2017 and 31 December 2018 and of their financial performance and cash flows for the financial years then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
GO YOONG CHANG
Director

....
KUA KEE KOON
Director

Date: 20 JUN 2019

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	2017 RM'000	2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,182	2,792
Deferred tax assets	6	-	344
Total non-current assets		**1,182**	**3,136**
Current assets			
Inventories	7	4,101	1,201
Trade and other receivables	8	34,141	19,631
Cash and short-term deposits	9	1,379	3,453
Total current assets		**39,621**	**24,285**
TOTAL ASSETS		**40,803**	**27,421**
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Group			
Invested equity	10	1,000	1,000
Retained earnings		7,501	12,255
TOTAL EQUITY		**8,501**	**13,255**
Non-current liabilities			
Loans and borrowings	11	98	726
Deferred tax liabilities	6	58	27
Total non-current liabilities		**156**	**753**
Current liabilities			
Loans and borrowings	11	92	279
Current tax liabilities		1,615	397
Trade and other payables	12	30,439	12,737
Total current liabilities		**32,146**	**13,413**
TOTAL LIABILITIES		**32,302**	**14,166**
TOTAL EQUITY AND LIABILITIES		**40,803**	**27,421**

The accompanying notes form an integral part of the combined financial statements.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2017 RM'000	2018 RM'000
Revenue	13	565,466	1,088,729
Cost of sales		(554,129)	(1,076,972)
Gross profit		**11,337**	**11,757**
Other income	14	287	1,021
Admistrative expenses		(5,541)	(6,385)
Operating profit		**6,083**	**6,393**
Finance costs	15	(31)	(201)
Profit before tax	16	**6,052**	**6,192**
Income tax expense	18	(1,751)	(1,438)
Profit for the financial years representing total comprehensive income for the financial years		**4,301**	**4,754**

The accompanying notes form an integral part of the combined financial statements.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Group		
	Share capital RM'000	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2017	1,000	3,200	4,200
Total comprehensive income for the financial year			
Profit for the financial year, representing total comprehensive income for the financial year	-	4,301	4,301
At 31 December 2017	1,000	7,501	8,501
Total comprehensive income for the financial year			
Profit for the financial year, representing total comprehensive income for the financial year	-	4,754	4,754
At 31 December 2018	1,000	12,255	13,255

The accompanying notes form an integral part of the combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS

	Note	2017 RM'000	2018 RM'000
Cash flows from operating activities			
Profit before tax		6,052	6,192
Adjustments for:			
Depreciation of property, plant and equipment		268	430
Gain on disposal of property, plant and equipment		-	(34)
Net unrealised foreign exchange loss		1,741	1,433
Interest expense		31	201
Interest income		(64)	(66)
Operating profit before working capital changes		**8,028**	**8,156**
Changes in working capital			
Inventories		(3,857)	2,900
Receivables		(27,426)	14,331
Payables		24,762	(17,001)
Cash generated from operations		**1,507**	**8,386**
Income tax paid		(1,093)	(3,031)
Interests received		64	66
Net cash from operating activities		**478**	**5,421**
Cash flows from investing activities			
Purchase of property, plant and equipment	(a)	(415)	(1,006)
Proceeds from disposal of property, plant and equipment		-	109
Placement of deposits		(200)	(41)
Net cash used in investing activities		**(615)**	**(938)**

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	2017 RM'000	2018 RM'000
Cash flows from financing activities	(b)		
Net change in amount due from related parties		325	(775)
Net change in amount due from/(to) directors		(66)	(54)
Net change in amount due from/(to) shareholders		(78)	(41)
Repayment of finance lease liabilities		(92)	(289)
Repayment of term loan		-	(6)
Interests paid		(31)	(201)
Net cash from/(used in) financing activities		**58**	**(1,366)**
Net (decrease)/increase in cash and cash equivalents		(79)	3,117
Cash and cash equivalents at the beginning of the financial years		2,951	924
Effects of exchange rate changes on cash and cash equivalents		(1,948)	(1,084)
Cash and cash equivalents at the end of the financial years	9	**924**	**2,957**

(a) Purchase of property, plant and equipment:

	Note	2017 RM'000	2018 RM'000
Purchase of property plant and equipment	5	515	2,115
Financed by way of finance lease arrangements		(100)	(1,109)
Cash payments on purchase of property, plant and equipment		415	1,006

(b) Changes arising from financing activities comprise of net cash flows use in repayment of financial lease liabilities and term loans during the financial years There were no non-cash changes in liabilities arising from financing activities.

The accompanying notes form an integral part of the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ACE Innovate Asia Berhad was incorporated on 5 March 2019 as a private limited liability company and is domiciled in Malaysia. ACE Innovate Asia Berhad was converted to a public company limited by shares and assumed its present name on 19 June 2019. The registered office of ACE Innovate Asia Berhad is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of ACE Innovate Asia Berhad is located at No.19-1, Jalan USJ10/1D, 47620 Subang Jaya, Selangor.

The principal activity of ACE Innovate Asia Berhad is investment holding. The details of the operating entities are as follows:

Operating entities	Principal place of business/country of incorporation	Principal activities
ACE Capital Growth Sdn. Bhd.	Malaysia	Trading of precious metals
ACE Global Metal Sdn. Bhd.	Malaysia	Business of developing information technology ("IT"), dealing and trading in providing information, communication and technology ("ICT) services and consultancy, deal, trade and provide software research and development businesses
ACE Assay (M) Sdn. Bhd.	Malaysia	Technical testing and analysis, assaying and refining of precious metals

There have been no significant changes in the nature of these activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 June 2019.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

The combined financial statements of ACE Innovate Asia Berhad (as defined herein) for the financial years ended 31 December 2017, and 31 December 2018 have been prepared pursuant to the proposed listing and quotation of the entire enlarged issued and paid-up share capital of ACE Innovate Asia Berhad on the LEAP Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control (collectively hereinafter referred to as the "Group") for each of the financial years under review:

Entities under common control	Financial year ended ("FYE") 31 December	
	2017	2018
ACE Innovate Asia Berhad	Not applicable *	Not applicable *
ACE Capital Growth Sdn. Bhd.	√	√
ACE Global Metal Sdn. Bhd.	√	√
ACE Assay (M) Sdn. Bhd.	√	√

√ *The combined financial statements of the Group include the financial statements of these combining entities for the respective financial years.*

* *No financial statements were available for ACE Innovate Asia Berhad as the company was incorporated on 5 March 2019.*

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements of the Group had the relevant proposed transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective years. Such financial information in the combines financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies of the Group are consistently applied for all the financial years presented in these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.1 Statement of compliance

The combined financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS").

2.2 Adoption of new MFRSs and amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group has adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial period:

New MFRSs	
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments/Improvements to MFRSs	
MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property
New IC Int	
IC Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group, and did not result in significant changes to the Group's existing accounting policies, except for those as discussed below:

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs and amendments/improvements to MFRSs and new IC Int (continued)

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group has not restated the comparative information, which continues to be reported under MFRS 139. The Group recognised any difference between the carrying amounts of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group has complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.

(i) Classification and measurement

<u>Loans and receivables classified as amortised cost</u>

Trade, other receivables and other financial assets, including refundable deposits previously classified as loans and receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs and amendments/improvements to MFRSs and new IC Int (continued)

(i) Classification and measurement

In summary, upon the adoption of MFRS 9, the Group had the following reclassifications as at 1 January 2018:

MFRS 9 measurement category	Carrying amount RM'000	MFRS 9 measurement category Amortised cost RM'000
Financial assets		
Loans and receivables		
Trade and other receivables, less prepayments	32,360	32,360
Cash and short-term deposits	1,379	1,379
	33,739	33,739
Financial liabilities		
Other financial liabilities		
Loans and borrowings	(190)	(190)
Trade and other payables	(30,439)	(30,439)
	(30,629)	(30,629)

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group is records expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Accordingly, no further impairment as at the date of initial application arising from application of simplified approach to record the lifetime expected credit losses.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective

The Group has not adopted the following new MFRSs, amendment/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but not yet effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1Januay 2020*/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021#
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investment in Associates and Joint Ventures	1 January 2019/ 1 January 2021# Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provision, Contingent Liabilities and Contingent Assets	1 January 2020* 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020* 1 January 2021#
MFRS 140	Investment Property	1 January 2021#

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (continued)

		Effective for financial periods beginning on or after
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRSs*
\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

The Group plans to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below:

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises, equipment on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group plans to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (continued)

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at:
(i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus
(ii) and amount representing the unearned profits in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it measures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require that an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its bet defined benefit liability(asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

The amendments also clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to References to the Conceptual Framework in MFRSs

The Malaysian Accounting Standards Board has issued a *revise Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the MFRSs Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 3, MFRS 5, MFRS 7, MFRS 9, MFRS 15, MFRS 101, MFRS 107, MFRS 116, MFRS 119, MFRS 128, MFRS 132, MFRS 136, MFRS 137, MFRS 138 and MFRS 140.

2.3.2 The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

2.4 Functional and presentation currency

The financial statements of the Group measured using the currency of the primary economic environment in which it operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency.

2.5 Basis of measurement

The financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years ended FYE 31 December 2017 and 31 December 2018 presented in the combined financial statements of the Group.

3.1 Basis of combination

The combined financial statements of the Group comprise the financial statements of ACE Capital Growth Sdn. Bhd., ACE Global Metal Sdn. Bhd. and ACE Assay (M) Sdn. Bhd.. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as ACE Innovate Asia Berhad. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group are a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and has the ability to affect those returns through its power over the acquiree.

The financial statements of subsidiaries are included in the consolidated financial statements from the date Group obtains control of the acquiree until the date Group loses control of the acquiree.

Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by ACE Innovate Asia. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisitions-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

If the business combination is archived in stages, Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combinations occurs, Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, Group derecognises the assets and liabilities of the former subsidiaries, any non-controlling interests and the other components of equity related to the former subsidiaries from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If Group retains any interest in the former subsidiaries, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions

Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of initial transactions.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.3 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group becomes a party to the contract provisions of the financial instrument.

Accounting policies applied from 1 January 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classify their debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(i) **Financial assets (continued)**

Debt instruments (continued)

- **Fair value through other comprehensive income (FVOCI)**
Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss (FVPL)**
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(i) Financial assets (continued)

Equity instruments
The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(ii) Financial liabilities (continued)

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group commit itself to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire,or
(ii) the Group has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss ("FVTPL") , they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as FVTPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(b) Subsequent measurement

The Group categorises the financial instruments as follows:

(ii) Financial assets

Financial assets at FVTPL
Financial assets are classified as financial assets at FVTPL when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, the financial assets at FVTPL are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost.

Loans and receivables
Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments
Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(a). Gains and losses are recognised in profit or loss through the amortisation process.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Available-for-sale financial assets
Available-for-sale financial assets comprise investments in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Unquoted equity instruments carried at cost
Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(a).

(ii) Financial liabilities

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(f) Derivatives

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Software installation in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Building	50 years
Computer and software	5 years
Furniture, fittings, tools and equipment	10 years
Office equipment	10 years
Motor vehicles	5 years
Plant and machinery	10 years
Renovation and signboard	10 years

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(c) Depreciation (continued)

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

Property, plant and equipment which are not ready for use are not depreciated until the asset is ready for its intended use.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:
- Raw materials: purchase costs on a first-in-first out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

3.7 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.8 Impairment of assets

(a) Impairment of financial assets

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
The Group considers a financial asset to be in default when:
- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised at FVTPL) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable date indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Loans and receivables and held-to-maturity investments (continued)
Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets
In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group uses its judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in OCI.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost
In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the assets' recoverable amounts.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit of groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of Group after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.10 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.11 Revenue and other income

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, the Group estimate it by using the costs plus margin approach.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue and other income (continued)

Financing components
The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Sales of goods

Revenue from sale of precious metals are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term of due from the date of invoices, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Where consideration is collected from customer in advance for sale of precious metals, an advance from customers is recognised for the customer deposits. Advance from customers would be recognised as revenue upon sale of precious metals to the customer.

(b) Sales of services

Revenue from sale of services is recognised at a point in time when service is rendered to the customer, which in the point in time when the performance obligation in the contract with customer is satisfied.

(c) Interest income

Interest income is recognised using the effective interest method.

3.12 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makers strategic decisions.

3.15 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.16 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SUMMARY OF ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial years include the following:

4.1 Classification of finance and operating leases

The Group classifies a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risks and rewards incident to ownership of the underlying asset lied. As a lessee, the Group recognises a lease as a finance lease if it is exposed to significant risks and rewards incident to ownership of the underlying asset. In applying judgements, the Group considers whether there is significant economic incentive to exercise a purchase option and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% of the remaining economic life of the underlying asset, the present value of lease payments is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used by the leasee without major modifications. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

4.2 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4, the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

4.3 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The information on the fair value measurements of financial assets and liabilities are disclosed in Note 19(c).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SUMMARY OF ACCOUNTING ESTIMATES AND JUDGEMENTS

4.4 Impairment of financial assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

The Group uses a provision matrix to calculate expected credit losses for trade receivable and contract assets. The provision rate are depending on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

The assessment of the correlation between historical observed default rates, forward-looking estimate and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and of forecast economic over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of the economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on the Group's financial assets and contract assets are disclosed in Note 19(a).

4.5 Measurement of income taxes

The Group operates in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's estimation for current and deferred taxes. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise. The income tax expenses of the Group are disclosed in Note 18.

4.6 Impairment of non-financial assets

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Group uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group.

4.7 Recognition of swap transactions

The Group transacts in swap arrangement with gold bullion traders to manage the fluctuation of gold prices. The Group recognises swap sales and swap purchases in a net position within cost of sales as these swap transactions form part of the core operations of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM'000	Building RM'000	Computers and Software RM'000	Furniture, Fittings, Tools and Equipment RM'000	Office Equipment RM'000	Motor Vechicles RM'000	Plant and Machinery RM'000	Renovation and Signboard RM'000	Software Installation in progress RM'000	Total RM'000
Cost										
As at 1 January 2017	98	102	336	115	61	506	28	100	63	1,409
Additions	-	-	177	50	14	167	28	79	-	515
Transfer to/(from)	-	-	63	-	-	-	-	-	(63)	-
As at 31 December 2017	98	102	576	165	75	673	56	179	-	1,924
Additions	369	381	62	13	62	843	17	368	-	2,115
Disposals	-	-	-	-	-	(251)	-	-	-	(251)
As at 31 December 2018	467	483	638	178	137	1,265	73	547	-	3,788

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land RM'000	Building RM'000	Computers and Software RM'000	Furniture, Fittings, Tools and Equipment RM'000	Office Equipment RM'000	Motor Vechicles RM'000	Plant and Machinery RM'000	Renovation and Signboard RM'000	Software Installation in progress RM'000	Total RM'000
Accumulated depreciation										
As at 1 January 2017	-	4	212	41	21	137	11	48	-	474
Depreciation for the financial year	-	2	96	14	8	128	4	16	-	268
As at 31 December 2017	-	6	308	55	29	265	15	64	-	742
Depreciation for the financial year	-	9	79	17	13	255	7	50	-	430
Disposals	-	-	-	-	-	(176)	-	-	-	(176)
As at 31 December 2018	-	15	387	72	42	344	22	114	-	996
Net carrying amount										
As at 31 December 2017	98	96	268	110	46	408	41	115	-	1,182
As at 31 December 2018	467	468	251	106	95	921	51	433	-	2,792

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets under finance lease

The carrying amounts of property, plant and equipment held under finance lease arrangement of the Group are as follows:

	2017 RM'000	2018 RM'000
Motor vehicles	408	921

(b) Assets pledged as security

The Group has pledged the following property to licensed banks to secure banking facilities granted to the Group:

	2017 RM'000	2018 RM'000
Freehold land	-	369
Building	-	372
	-	741

6. DEFERRED TAX ASSET/(LIABILITIES)

Deferred tax assets/(liabilities) relates to the following:

	As at 1 January RM'000	Recognised in Profit or loss RM'000 (Note 16)	As at 31 December RM'000
Deferred tax liabilities:			
31 December 2017			
Property, plant and equipment	(56)	(2)	(58)
31 December 2018			
Property, plant and equipment	(58)	31	(27)
Other temporary differences	-	344	344
	(58)	375	317

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. DEFFERED TAX ASSETS/LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2017 RM'000	2018 RM'000
Property, plant and equipment	(74)	-
Unused tax losses	1,461	117
Unabsorbed capital allowances	107	1,413
	1,494	1,530

7. INVENTORIES

	2017 RM'000	2018 RM'000
At the lower of cost and net realisable value:		
Raw material	471	172
Trading goods	3,630	1,029
	4,101	1,201

The cost of inventories of the Group recognised as an expense in cost of sales during the financial period was RM1,076,227,348 (2017: RM553,681,571).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. TRADE AND OTHER RECEIVABLES

	Note	2017 RM'000	2018 RM'000
Trade:	(a)		
Third parties		18,992	7,561
Related parties		27	403
		19,019	7,964
Non-trade:			
Other receivables	(b)	39	55
Deposits		199	43
GST receivables		13,020	11,034
Prepayments		1,781	535
Amount owing by a director	(c)	50	-
Amount owing by a shareholder	(c)	33	-
		15,122	11,667
Total trade and other receivables		34,141	19,631

(a) Trade receivables

Trade receivables are non-interest bearing and credit terms offered by the Group normally due from the date of invoice except credit terms for ICT services is up to 90 days from the date of invoice. Other credit terms are assessed and approved on a case by case basis. The amounts owing by related parties as at 31 December 2018 amounting to RM402,400 has been fully repaid subsequent to the financial year end.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's trade receivables are as follows:

	2017 RM'000	2018 RM'000
Neither past due nor impaired	19,008	6,101
Past due but not impaired	11	1,863
1-30 days past due not impaired	11	504
31-60 days past due not impaired	-	-
61-90 days past due not impaired	-	10
91-120 days past due not impaired	-	1,348
More than 121 days past duenot impaired	-	1
	19,019	7,964

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Other receivables

Other receivables are unsecured, non-interest bearing and is expected to be settled in cash.

(c) Amount owing by a director and a shareholder

Amount owing are unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

9. CASH AND SHORT-TERM DEPOSITS

	2017 RM'000	2018 RM'000
Cash and bank balances	924	2,957
Short-term deposits placed with licensed banks	455	496
	1,379	3,453

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

	2017 RM'000	2018 RM'000
Short-term deposits placed with licensed banks	455	496
Less: Pledged deposits	(255)	(271)
Less: Deposits more than 3 months	(200)	(225)
	-	-
Cash and bank balances	924	2,957
	924	2,957

Included in the deposits placed with licensed banks of the Group:

(i) RM15,606 (2017: RM Nil) is pledged for term loan granted to the Group as disclosed in Note 11(a); and

(ii) RM255,000 (2017: RM255,000) is pledged for bank guarantee issued in favour of a third party as disclosed in Note 21.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. INVESTED EQUITY

For the purpose of the combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The invested equity constitutes the share capital of ACE Capital Growth Sdn. Bhd., ACE Global Metal Sdn. Bhd. and ACE Assay (M) Sdn. Bhd..

During the financial year ended 31 December 2017, the Group issued 3 new ordinary shares at a price of RM1 each for the incorporation of ACE Assay (M) Sdn. Bhd..

The new ordinary shares issued during the financial period rank equally in all respects with the existing ordinary shares of the Group.

11. LOANS AND BORROWINGS

	Note	2017 RM'000	2018 RM'000
Non-current			
Term loans	(a)	-	411
Finance lease liabilities	(b)	98	315
		98	726
Current			
Term loans	(a)	-	33
Finance lease liabilities	(b)	92	246
		92	279
Total loans and borrowings			
Term loans	(a)	-	444
Finance lease liabilities	(b)	190	561
		190	1,005

(a) Term loans

Term loan of the Group of RM444,218 (2017: RM Nil) bears interest at 6.90% (2017: Nil %) per annum and is repayable by monthly instalments of RM5,202 over ten years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the freehold land and building of the Group;
(ii) Secured over a fixed deposit; and
(iii) Joint and several guarantee by certain directors of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. LOANS AND BORROWINGS

(b) Finance lease liabilities

The motor vehicles of the Group as disclosed in Note 5 are pledged for finance leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of lease term. The average interest rate implicit in the leases is 5.22% (2017: 5.37%).

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	2017 RM'000	2018 RM'000
Minumum lease payments:		
Not later than one year	99	268
Later than one year and not later than five years	102	325
	201	593
Less: Future finance charges	(11)	(32)
Present value of finance lease payments	190	561
Present value of minimum lease payments payable:		
Not later than one year	92	246
Later than one year and not later than five years	98	315
	190	561
Less: Amount due within twelve months	(92)	(246)
Amount due after twelve months	98	315

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

12. TRADE AND OTHER PAYABLES

	Note	2017 RM'000	2018 RM'000
Trade	(a)		
Third parties		20,637	11,457
Related party		141	-
Director		7,742	726
		28,520	12,183
Non-trade			
Other payables		341	159
Accruals		427	198
Amount owing to related parties	(b)	775	-
Amount owing to directors	(b)	301	197
Amount owing to a shareholder	(b)	75	-
		1,919	554
Total trade and other payables		30,439	12,737

(a) Trade payables

Trade payables are non-interest bearing and normally due from date of invoices. The amounts owing to directors as at 31 December 2018 amounting to RM725,948 has been fully repaid subsequent to the financial year end.

(b) Amount owing to related parties, directors and a shareholder

Amount owing are unsecured, non-interest bearing, with no fixed term of repayment. The amounts owing to directors as at 31 December 2018 amounting to RM196,822 has been fully repaid subsequent to the financial year end.

For explanation on the Group liquidity risk management processes, refer to Note 19(b)(ii).

13. REVENUE

	2017 RM'000	2018 RM'000
Sale of precious metals	565,395	1,088,202
Assaying services	71	125
Information commmunication and technology services	-	402
	565,466	1,088,729

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. OTHER INCOME

	2017 RM'000	2018 RM'000
Commission income	46	11
Gain on disposal of property, plant and equipment	-	34
Interest income	64	66
Gain on paper trade	121	806
Sale of silver	-	70
Others	56	34
	287	1,021

15. FINANCE COSTS

	2017 RM'000	2018 RM'000
Interest expense on:		
Term loans	-	5
Finance lease liabilities	11	26
Bank charges	20	34
Margin trade	-	136
	31	201

16. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:

	Note	2017 RM'000	2018 RM'000
Auditors' remuneration		71	75
Depreciation of property, plant and equipment	5	268	430
Employees benefits expense	17	2,191	2,951
Net realised foreign exchange loss		238	183
Net unrealised foreign exchange loss		1,741	1,433
Rental of premises		103	84

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. EMPLOYEE BENEFITS EXPENSE

	2017 RM'000	2018 RM'000
Salaries, allowances and bonuses	1,870	2,525
Defined contribution plan	240	297
Other staff related expenses	81	129
	2,191	2,951
Included in employee benefits expense are:		
Directors' remuneration	368	427
Defined contribution plan	32	49
Directors' other emolument	2	3
	402	479

18. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2017 and 31 December 2018.

	2017 RM'000	2018 RM'000
Statements of comprehensive income		
Current income tax:		
- Current year	1,665	1,939
- Adjustment in respect of prior financial years	84	(126)
	1,749	1,813
Deferred tax:		
- Origination/(Reversal) of temporary difference	27	(332)
- Adjustment in respect of prior financial years	(25)	(43)
	2	(375)
Income tax expense recognised in profit or loss	1,751	1,438

Domestic income tax is calculated at the Malaysian statutory rate of 24% of the estimated assessable profit for the financial years.

The statutory tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid up capital of RM2.5 million and below is subject to the statutory tax rate of 18% of chargeable income of up to RM500,000. For chargeable income excess of RM500,000, statutory tax rate of 24% is still applicable.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

18. INCOME TAX EXPENSE (CONTINUED)

The reconciliation from the tax amount at the statutory income tax rate to the Group's tax expenses are as follows:

	2017 RM'000	2018 RM'000
Profit before tax	6,052	6,192
Tax at Malaysian statutory tax rate of 24%	1,452	1,486
SME tax savings	(30)	(30)
Adjustments:		
Income not subject to tax	(12)	(7)
Non-deductible expenses	58	128
Deferred tax assets not recognised	224	9
Under/(over) provision in prior year	84	(126)
Overprovision deferred taxation of prior year	(25)	(22)
	1,751	1,438

19. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

From 1 January 2018:
(i) Amortised cost ("AC")

On or before 31 December 2017
(i) Loans and receivables ("L&R")
(ii) Other financial liabilities ("FL")

	Note	Carrying amount RM'000	L&R/(FL) RM'000
As at 31 December 2017			
Financial assets			
Trade and other receivables less prepayments and GST receivable	8	19,340	19,340
Cash and short-term deposits	9	1,379	1,379
		20,719	20,719
Financial liabilities			
Loans and borrowings	11	(190)	(190)
Trade and other payables	12	(30,439)	(30,439)
		(30,629)	(30,629)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	AC RM'000
As at 31 December 2018			
Financial assets			
Trade and other receivables less prepayments and GST receivable	8	8,062	8,062
Cash and short-term deposits	9	3,453	3,453
		11,515	11,515
Financial liabilities			
Loans and borrowings	11	(1,005)	(1,005)
Trade and other payables	12	(12,737)	(12,737)
		(13,742)	(13,742)

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

The Board of Directors of the Group reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

The carrying amounts of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile
At the end of the financial period, the Group has a significant concentration of credit risk in the form of three (3) (2017: three (3)) trade receivables, representing approximately 76% (2017: 99%) of the Group's trade receivables.

The Group applies the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

	Trade receivables						
	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	Total RM'000
Ar 31 December 2018							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	6,101	504	-	10	1,348	1	7,964
Expected credit loss	-	-	-	-	-	-	-

Other receivables and financial assets

For other receivables and financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and financial assets (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.8(a) for the Group's other accounting policies for impairment of financial assets.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arises principally from trade and other payable.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

<u>Maturity analysis</u>

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date is based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount RM'000	On demand or within one year RM'000	Between one and five years RM'000	More than five years RM'000	Total RM'000
As at 31 December 2017					
Finance lease liabilities	190	99	102	-	201
Trade and other payables	30,439	30,439	-	-	30,439
	30,629	30,538	102	-	30,640
As at 31 December 2018					
Term loans	444	62	250	302	614
Finance lease liabilities	561	268	325	-	593
Trade and other payables	12,737	12,737	-	-	12,737
	13,742	13,067	575	302	13,944

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency).

The foreign currency in which these transactions are denominated is United States Dollars ("USD").

The Group takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's unhedged financial assets and liabilities that are not denominated in its functional currency are as follows:

	2017 RM'000	2018 RM'000
Financial assets and liabilities not held in functional currency:		
Trade receivables		
USD	18,881	5,428
Other receivables		
USD	1,046	-
Cash and short-term deposits		
USD	158	17
Trade payables		
USD	5,333	9,096

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all other variables held constant on the Group's total equity and profit for the financial years.

	Change in rate	Effect on profit and equity for the financial year RM'000
As at 31 December 2017		
USD	+5%	561
	-5%	(561)
As at 31 December 2018		
USD	+5%	(139)
	-5%	139

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement

The carrying amounts of cash and short-term deposits, short-term receivables, payables and loans and borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

Other long-term financial assets and liabilities are reasonable approximation of fair value because they are floating rate instruments which are re-priced to market interest rates or estimated by discounting future cash flows using current lending rates for similar types or arrangements.

It is not practical to determine the fair value of finance lease liabilities which are at fixed rate due to lack of market information of comparable instruments with similar characteristic and risk profile.

Policy on transfer between levels

The fair value of asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There was no transfer between the fair value measurement hierarchy.

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(ii) Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Transfer between Level 1 and Level 2
There has been no transfer between Level 1 and Level 2 fair values during the financial periods.

(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

20. CAPITAL AND OTHER COMMITMENTS

The Group has made commitments for the following capital expenditures:

	2017 RM'000	2018 RM'000
Property, plant and equipment	761,404	-

21. CONTINGENCIES

Contingent liability

	2017 RM'000	2018 RM'000
Bank guarantee issued in favour of a third party secured over a fixed deposit of the Company	255,000	255,000

22. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Entities in which directors have substantial financial interests; and
(ii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

(b) Significant related party transactions

	2017 RM'000	2018 RM'000
Sale of services		
Entity in which a director has substantial financial interest	-	402

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

	2017 RM'000	2018 RM'000
Short-term employee benefits		
- Salaries, bonuses and allowances	1,045	1,215
- Defined contribution plans	120	151
- Other related expenses	5	7
	1,170	1,373

23. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years under review.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by equity attributable to the owners of the Group. The gearing ratio as at 31 December 2017 and 31 December 2018 are as follows:

	Note	2017 RM'000	2018 RM'000
Loans and borrowings	**11**	190	1,005
Total debts		190	1,005
Total equity		8,501	13,255
Gearing ratio (times)		0.02	0.08

There were no changes in the Group's approach to capital management during the financial years under review.

The Group is not subject to externally imposed capital requirements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24 SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

The three reportable operating segments are as follows:

Segments	**Products and servies**
Trading	Trading of precious metals.
Assaying	Technical testing and analysis, assaying and refining of precious metal
Information commmunication and technology	Developing information technology, dealing and trading in providing ICT services and consultancy, deal, trade, and provide software research and development businesses

Inter-segment pricing is determined on negotiated basis.

Segment profit
Segment performance is used to measure performance as the directors believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets
The total of segment asset is measured based on all of a segment, as included in the internal reports that are reviewed by the directors.

Segment liabilities
Segment liabilities are not included in the internal reports that are reviewed by the directors, hence no disclosures are made on segment liabilities.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24 SEGMENT INFORMATION (CONTINUED)

	Note	Trading RM'000	Assaying RM'000	Adjustment and eliminations RM'000	Total RM'000
31 December 2017					
Revenue:					
Revenue from external customers		565,395	71	-	565,466
Inter-segment revenue	A	1,753	16	(1,769)	-
		567,148	87	(1,769)	565,466
Results:					
Included in the measure of segment profit are:					
Gain on paper trade		121	-	-	121
Interest income		64	-	-	64
Interest expenses		(31)	-	-	(31)
Depreciation		(259)	(9)	-	(268)
Rental expenses		(88)	(15)	-	(103)
Employee benefits expense		(2,165)	(12)	-	(2,177)
Net realised foreign exchange loss		(238)	-	-	(238)
Net unrealised foreign exchange loss		(1,741)	-	-	(1,741)
Segment profit		**6,168**	**(116)**	**-**	**6,052**
Income tax expenses		(1,751)	-	-	(1,751)
Profit for the financial year		4,417	(116)	-	4,301
Assets:					
Additions to non-current assets		363	152	-	515
Segment assets		**363**	**152**	**-**	**515**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24 SEGMENT INFORMATION (CONTINUED)

	Note	Trading RM'000	Assaying RM'000	Information commmunication and technology RM'000	Adjustment and eliminations RM'000	Total RM'000
31 December 2018						
Revenue:						
Revenue from external customers		1,088,202	125	402	-	1,088,729
Inter-segment revenue	A	-	38	803	(841)	-
		1,088,202	163	1,205	(841)	1,088,729
Results:						
Included in the measure of segment profit are:						
Gain on paper trade		806	-	-	-	806
Interest income		66	-	-	-	66
Interest expenses		(201)	-	-	-	(201)
Depreciation		(381)	(15)	(34)	-	(430)
Rental expenses		(53)	(26)	(5)	-	(84)
Employee benefits expense		(1,702)	(75)	(979)	-	(2,756)
Net realised foreign exchange loss		(183)	-	-	-	(183)
Net unrealised foreign exchange loss		(1,433)	-	-	-	(1,433)
Segment profit		**6,383**	**(84)**	**(107)**	**-**	**6,192**
Income tax expenses		(1,420)	(11)	(7)	-	(1,438)
Profit for the financial year		4,963	(95)	(114)	-	4,754
Assets:						
Additions to non-current assets		2,011	6	98	-	2,115
Segment assets		**2,011**	**6**	**98**	**-**	**2,115**

A Inter-segment revenue

Inter-segment revenues are eliminated on combination.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24 SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and non-current assets information based on the geographical location of customers are as follows:

	Revenue RM'000	Non-current assets RM'000
31 December 2017		
Malaysia	49,652	1,182
Singapore	515,814	-
	565,466	1,182
31 December 2018		
Malaysia	688,368	2,792
Singapore	400,361	-
	1,088,729	2,792