



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

**HALF-YEAR REPORT ON CONSOLIDATED RESULTS FOR THE
FINANCIAL PERIOD ENDED 30 JUNE 2020**

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

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



ACE INNOVATE ASIA BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2020

	(Unaudited)		(Unaudited)	
	Individual 6 months ended		Cummulative 6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	391,307	618,859	391,307	618,859
Cost of sales	(382,448)	(613,390)	(382,448)	(613,390)
Gross profit	8,859	5,469	8,859	5,469
Other income	(1,597)	345	(1,597)	345
Administrative expenses	(3,548)	(3,863)	(3,548)	(3,863)
Operating profit	3,714	1,951	3,714	1,951
Finance costs	(80)	(52)	(80)	(52)
Profit before tax	3,634	1,899	3,634	1,899
Income tax expense	(415)	(517)	(415)	(517)
Total comprehensive income for the period	3,219	1,382	3,219	1,382
Basic earnings per share (sen)	1.89	0.53	1.89	0.53

Note:

The unaudited condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Statements of ACE Innovative Asia Berhad and its subsidiaries (“Group”) for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.



ACE INNOVATE ASIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	(Unaudited)	(Audited)
	As at	As at
	30.6.2020	31.12.2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,052	5,527
Total non-current assets	5,052	5,527
Current assets		
Inventories	2,458	2,668
Current tax assets	519	578
Trade and other receivables	13,930	12,431
Cash and short-term deposits	8,137	10,936
Total current assets	25,044	26,613
TOTAL ASSETS	30,096	32,140
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	23,192	23,192
Reorganisation reserve	(12,052)	(12,052)
Retained earnings	15,271	12,052
TOTAL EQUITY	26,411	23,192

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020
(continued)

	(Unaudited)	(Audited)
	As at	As at
	30.6.2020	31.12.2019
	RM'000	RM'000
Non-current liabilities		
Loans and borrowings	2,828	2,849
Lease liabilities	12	52
Deferred tax liabilities	65	65
Total non-current liabilities	2,905	2,966
Current liabilities		
Loans and borrowings	339	383
Lease liabilities	49	33
Trade and other payables	392	5,566
Total current liabilities	780	5,982
TOTAL LIABILITIES	3,685	8,948
TOTAL EQUITY AND LIABILITIES	30,096	32,140
Net assets per share (RM)	0.09	0.08
Number of ordinary share ('000)	300,033	300,033

Note:

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.



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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2020

	← Non-distributable →			
	Share capital	Reorganisation reserve	Distributable retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020 (Unaudited)	23,192	(12,052)	12,052	23,192
Profit for the financial period, representing total comprehensive income for the financial period	-	-	3,219	3,219
As at 30 June 2020	23,192	(12,052)	15,271	26,411



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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2020 (continued)

	← Non-distributable →			
	Share capital	Reorganisation reserve	Distributable retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019 (Audited)	1,000	-	12,255	13,255
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,797	1,797
Transactions with owners				
Issue of ordinary shares	10,140	-	-	10,140
Shares issued for the acquisition of subsidiaries	12,052	(12,052)	-	-
Dividends paid on shares	-	-	(2,000)	(2,000)
As at 31 December 2019	23,192	(12,052)	12,052	23,192

Note:

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.



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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2020

	(Unaudited) 1.1.2020 to 30.6.2020 RM'000	(Unaudited) 1.1.2019 to 30.6.2019 RM'000
Cash flows from operating activities		
Profit before Tax	3,634	1,899
Adjustments for:		
Depreciation of property, plant and equipment	260	242
Depreciation of rights-of-use assets	23	-
Gain on disposal of property, plant and equipment	-	(24)
Property, plant and equipment written off	271	-
Bad debt written off	6	-
Net unrealised foreign exchange gain	(3)	(221)
Finance costs	80	52
Interest income	(88)	(35)
Operating profit before working capital changes	4,183	1,913
Changes in working capital		
Inventories	210	(1,667)
Receivables	(1,499)	(3,848)
Payables	(5,175)	6,661
Cash generated from operations	(2,281)	3,059
Income tax paid	(415)	(1,031)
Income tax refund	59	-
Interests paid	(2)	(15)
Interests received	88	35
Net cash (used in)/from operating activities	(2,551)	2,048
Cash flows from investing activities		
Purchase of property, plant and equipment	(80)	(230)
Proceeds from disposal of property, plant and equipment	-	74
Net change in pledged deposits	-	255
Net cash used in investing activities	(80)	99

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (continued)

	(Unaudited) 1.1.2020 to 30.6.2020 RM'000	(Unaudited) 1.1.2019 to 30.6.2019 RM'000
Cash flows from financing activities		
Net change in amount due to directors	-	(197)
Repayment of finance lease liabilities	(83)	(203)
Net borrowings	17	(16)
Repayment of lease liabilities	(24)	-
Dividends paid	-	(2,000)
Interests paid	(78)	(38)
Net cash from financing activities	(168)	(2,454)
Net increase in cash and cash equivalents	(2,799)	(307)
Cash and cash equivalents at the beginning of the financial period	10,706	2,957
Effects of exchange rate changes on cash and cash equivalents	-	298
Cash and cash equivalents at the end of financial period	7,907	2,948

Note:

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.



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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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

Basis of preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting. This is the interim financial report on the consolidated results for the half-year ended 30 June 2020 announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities.

This report should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 December 2019. The explanatory notes attached to this report provide an explanation of events and transactions that are significant to the understanding of changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

Changes in accounting policies

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019, except for the adoption of the following new and revised MFRSs, Amendments to MFRS and IC interpretations.

New MFRS, Amendments to MFRSs and IC Interpretation effective for financial periods beginning on or after 1 January 2023:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2023 [#]



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

Basis of preparation (continued)

		Effective for financial periods beginning on or after
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 101	Presentation of Financial Statements	1 January 2022/ 1 January 2023 [#]
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 116	Property, Plant and Equipment	1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 140	Investment Property	1 January 2023 [#]

[#] Amendments as to the consequence of MFRS 17 Insurance Contracts

The adoption of the above new standard and amendments is not expected to have significant impact on the financial position and financial performance of the Group.



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A2. Seasonal/Cyclical Factors

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

A3 Unusual Items

There were no material unusual items affecting assets, liabilities, equity, net income and cash flows for the six months ended 30 June 2020.

A4 Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year that have a material effect during the six months ended 30 June 2020.

A5 Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the six months ended 30 June 2020.

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A6 Segmental Information

Analysis of revenue

(i) By products and services

	(Unaudited)		(Unaudited)	
	Individual 6 months ended		Cummulative 6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Scrap gold bar	68,549	171,708	68,549	171,708
Cast gold bar	322,410	446,955	322,410	446,955
Minted gold bar	268	120	268	120
Assay services	80	76	80	76
	<u>391,307</u>	<u>618,859</u>	<u>391,307</u>	<u>618,859</u>

(ii) By geographical location

	(Unaudited)		(Unaudited)	
	Individual 6 months ended		Cummulative 6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	306,609	496,472	306,609	496,472
Singapore	84,698	122,387	84,698	122,387
	<u>391,307</u>	<u>618,859</u>	<u>391,307</u>	<u>618,859</u>

A7 Material Events Subsequent to the End of the Financial Period

The COVID-19 outbreak has brought significant economic uncertainties in Malaysia and markets in which the Company operates. The Group expects the current situation to have an adverse impact to its results for the financial year ending 31 December 2020 and will continue to monitor and take appropriate measures to minimise the financial impact to the Group. Other than the impact of COVID-19 pandemic, there was no subsequent material event as at the date of this report.

A8 Contingent Assets and Contingent Liabilities

There were no material changes in contingent assets and contingent liabilities during the six months ended 30 June 2020.

A9 Changes in The Composition Of The Group

There were no material changes in the composition of the Group during the six months ended 30 June 2020.

A10 Capital Commitments

The Group has made commitments for the following capital expenditure:

	(Unaudited)	(Audited)
	As at	As at
	30.6.2020	31.12.2019
	RM'000	RM'000
Property, plant and equipment	<u>200</u>	<u>200</u>

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

B1 Review of Performance

Our revenue decreased 36.77% to RM391.31 million in the current six months period ended 30 June 2020 compared to RM618.86 million in the prior year. Scrap gold bar and Cast gold bar revenues decreased 60.08% to RM68.55 million and 27.87% to RM322.41 million, respectively in the current six months period ended 30 June 2020 mainly due to the slowdown of gold bar delivery as a result of movement control order by the Malaysian Government and regional countries' travel restriction which was imposed since March 2020 following the COVID-19 pandemic.

The gross profit margin improved significantly from 0.88% to 2.26%. This was due to the rise in average gold selling price as compared to the corresponding period.

In line with the improved gross profit margin, the Group's profit after tax increased 132.92% to RM3.22 million in the current six months ended compared to RM1.38 million in the prior year.

B2 Prospects of The Group

Despite the performance of the Group improving in the current period as compared with the prior year, the Board of Directors of the Company is of the opinion that the prospects for the financial year ending 31 December 2020 will remain challenging amid the adverse impact of the COVID-19 pandemic, uncertainties surrounding world trade and weak economy forecasts worldwide.

Nevertheless, the Group continues to seek opportunities to expand its business. As part of the Group's overall strategic plan to tap into the Muslim investor community, the Group is working closely with local Islamic banks and financial institutions on the development of Shariah compliant gold investment products.

B3 Profit Forecast/Profit Guarantee

No applicable as the Group did not publish any profit forecast or profit guarantee.

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C OTHER INFORMATION

C1 Status of Utilisation Of Proceeds

The utilisation of proceeds of RM10.14 million from the placement of shares as at 30 June 2020 is as follows:

Purposes	Proposed Utilisation	Actual Utilisation	Unutilised Proceeds	Estimated Timeframe for Utilisation Upon Listing
	RM'000	RM'000	RM'000	
Working capital	8,956	-	8,956	Within 12 months
Enhancement of office	200	-	200	Within 12 months
Marketing and advertising expenses	64	-	64	Within 12 months
Listing expenses	920	920	-	Immediately
	<u>10,140</u>	<u>920</u>	<u>9,220</u>	

C2 Loans and Borrowings

The Group's total borrowings as at 30 June 2020 are as follows:

	(Unaudited) As at 30.6.2020 RM'000	(Audited) As at 31.12.2019 RM'000
	Non-current	
Term loans	2,677	2,680
Finance lease liabilities	151	169
	<u>2,828</u>	<u>2,849</u>
Current		
Term loans	92	71
Finance lease liabilities	247	312
	<u>339</u>	<u>383</u>
Total loans and borrowings		
Term loans	2,769	2,751
Finance lease liabilities	398	481
	<u>3,167</u>	<u>3,232</u>

C3 Material Litigation

There was no material litigation as at the date of this report.

C4 Dividend

There was no dividend declared or proposed as at the date of this report.

C5 Earnings Per Share

(a) Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial period attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial period, calculated as follows:

	(Unaudited)		(Unaudited)	
	Individual 6 months ended		Cummulative 6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
Profit attributable to owners of the Company (RM'000)	<u>3,219</u>	<u>1,382</u>	<u>3,219</u>	<u>1,382</u>
Weighted average number of ordinary shares at end of period	<u>170,698,175</u>	<u>261,033,000</u>	<u>170,698,175</u>	<u>261,033,000</u>
Basic earnings per ordinary share (sen)	<u>1.89</u>	<u>0.53</u>	<u>1.89</u>	<u>0.53</u>

(b) Diluted earnings per ordinary shares

The diluted earnings per share is equivalent to the basic earnings per share as the Group do not have any potential ordinary shares outstanding at the end of the reporting period.

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