



# INFORMATION MEMORANDUM

## FOR RESTRICTED CIRCULATION ONLY

**Baba**<sup>™</sup>

**BABA ECO GROUP BERHAD**  
(Company No. 1268966-W)  
(Incorporated in Malaysia under the Companies Act, 2016)

PROPOSED EXCLUDED ISSUE OF 40,600,000 NEW ORDINARY SHARES TO SOPHISTICATED INVESTORS WITHIN THE MEANINGS OF SECTION 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007, AT AN ISSUE PRICE OF RM0.13 PER SHARE IN CONJUNCTION WITH OUR PROPOSED LISTING ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Approved Adviser, Custodian, Placement Agent and Continuing Adviser

**WYNCORP**  
**LICENCED INVESTMENT ADVISOR**  
WYNCORP ADVISORY SDN. BHD.  
(Company No. 632322-H)

### 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 OR MAIN MARKET OF BURSA SECURITIES. 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 BABA ECO GROUP BERHAD ("BABA ECO" OR "COMPANY").

SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY 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 "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS INFORMATION MEMORANDUM.

**THIS INFORMATION MEMORANDUM IS DATED 19 SEPTEMBER 2018**



**IMPORTANT NOTICE**

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**A COPY OF THIS INFORMATION MEMORANDUM WILL BE DEPOSITED WITH THE SECURITIES COMMISSION MALAYSIA (“SC”). EACH RECIPIENT OF THIS INFORMATION MEMORANDUM (“RECIPIENT”) ACKNOWLEDGES AND AGREES THAT 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 COMPANY. SOPHISTICATED INVESTORS ARE EXPECTED TO MAKE THEIR OWN ASSESSMENT ON OUR COMPANY OR SEEK APPROPRIATE ADVICE BEFORE MAKING THEIR INVESTMENT DECISIONS.**

**NO PERSON IS AUTHORISED, IN CONNECTION WITH OUR PROPOSED EXCLUDED ISSUE (AS DEFINED HEREIN) AND PROPOSED LISTING (AS DEFINED HEREIN), TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS INFORMATION MEMORANDUM, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY BABA ECO OR WYNCORP ADVISORY SDN. BHD. (“WYNCORP”) AS OUR APPROVED ADVISER, CUSTODIAN, PLACEMENT AGENT AND CONTINUING ADVISER. THE DELIVERY OF THIS INFORMATION MEMORANDUM SHALL NOT, UNDER ANY CIRCUMSTANCES, IMPLY OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OR FINANCIAL POSITION OF OUR COMPANY AND/OR SUBSIDIARIES SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.**

**THE PURPOSE OF THIS INFORMATION MEMORANDUM IS TO PROVIDE INFORMATION ON THE BUSINESS AND AFFAIRS OF OUR COMPANY AND SUBSIDIARIES (COLLECTIVELY DEFINED AS “GROUP”) ONLY. THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN ISSUE OF SECURITIES WOULD CONSTITUTE AN EXCLUDED ISSUE WITHIN THE MEANINGS OF SECTION 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“CMSA”).**

**THIS INFORMATION MEMORANDUM, IF FURNISHED TO YOU, IS STRICTLY FOR YOUR OWN USE AND IS NOT TO BE CIRCULATED TO ANY OTHER PARTY.**

**THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM AND THE OFFERING OF OUR SHARES MAY, IN CERTAIN JURISDICTIONS, BE RESTRICTED BY LAW. WE REQUIRE PERSONS INTO WHOSE POSSESSION THIS INFORMATION MEMORANDUM COME INTO, TO INFORM THEMSELVES OF AND OBSERVE ALL SUCH RESTRICTIONS.**

**IN MAKING AN INVESTMENT DECISION, YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY, AND SHOULD CONSULT TO THE EXTENT NECESSARY, YOUR OWN STOCKBROKER, MANAGER, SOLICITOR, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS PRIOR TO ANY INVESTMENT IN OUR COMPANY.**

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

**IMPORTANT NOTICE (CONT'D)**

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Our Directors and the Promoters have seen and approved this Information Memorandum. They collectively and individually accept full responsibility for the accuracy of the information in this Information Memorandum. Having made reasonable enquiries, and to the best of their knowledge and belief, they confirm that, there is no false or misleading statement or other facts which if omitted, would make any statement in this Information Memorandum false or misleading. The opinions and intentions of our Group expressed herein are honestly held, and that there are no other facts the omission of which would, in the context our Proposed Listing and Proposed Excluded Issue, make this Information Memorandum as a whole or any information or expression of any such opinions or intentions herein, misleading in any material respects.

WYNCORP, being the Approved Adviser, Custodian, 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 the Proposed Listing and Proposed Excluded Issue.

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 the Information Memorandum that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Information Memorandum.

Our Proposed Excluded Issue is subject to the receipt of an approval for our Proposed Listing from Bursa Securities, who make no assessment on the suitability, viability or prospects of our Group or the merits of investing in our shares. WYNCORP, as our Approved Adviser, has assessed the suitability of our Group for admission to the LEAP Market as required under Rule 4.10 of Bursa Securities' LEAP Market Listing Requirements.

**MODE OF COMMUNICATION**

In accordance with the Constitution of our Company, we may send notices and documents to our securities holders ("**Holders**") by electronic means to the Holders' registered email address last maintained with either our Company Secretary or Bursa Malaysia Depository Sdn. Bhd. ("**Bursa Depository**"), as the case may be. 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 the Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to the Holders' registered Malaysian address last maintained with either our Company Secretary or Bursa Depository, as the case may be, at their own risk.

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 by way of:

- (i) ordinary mail;
- (ii) electronic means to the Holders' registered email address;
- (iii) advertisements in an English daily newspaper in Malaysia; and/or
- (iv) announcements on Bursa Securities.

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**IMPORTANT NOTICE (CONT'D)**

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**TERMS AND CONDITIONS BINDING ALL RECIPIENTS**

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

1. This Information Memorandum is issued by our Company and distributed by us as well as WYNCORP. The distribution of this Information Memorandum shall be in paper/printed copy and/or electronic copy upon request by interested Recipients, free of charge. This Information Memorandum is distributed to interested Recipients for information purposes only and upon the express understanding that such Recipients will use it only for the purposes set forth below.
2. The information contained in this Information Memorandum, including any statement or fact or opinion, has been provided by us or on our behalf. It is being furnished solely for use by a limited number of prospective Sophisticated Investors for the purpose of evaluating their interest in investing in our Company ("**Proposed Investment**"). Nothing contained herein shall be taken as a commitment on our part to accept your Proposed Investment.
3. WYNCORP do not assume any obligation to provide any Recipient with access to any additional information or to update or revise any information contained herein. Nevertheless, we undertake to inform WYNCORP who in turn will inform Recipients in writing of any material development or of any material facts subsequent to the date of this Information Memorandum up to the date of closing of our Proposed Excluded Issue that will, directly or indirectly, affect our financial position or business. In all cases, you should rely on your own evaluation of the Proposed Investment.
4. You shall be 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, prospects, the rights and obligations attaching to the shares in our Company ("**Shares**"), the merits of investing in our Shares, and the extent of risk involved in doing so.
5. Subject to the provisions of any laws, regulations and guidelines ("**Applicable Laws**"), we and WYNCORP each reserve the right to negotiate with one or more prospective Sophisticated Investors at any time. Subject to the Applicable Laws, we and WYNCORP each also reserve the right (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.
6. You shall not copy, reproduce, distribute, summarise, excerpt from or pass on any part of this Information Memorandum to any person at any time without the prior written consent of WYNCORP. 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 WYNCORP, including this Information Memorandum, without retaining any copies.

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**IMPORTANT NOTICE (CONT'D)**

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7. This Information Memorandum may 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 Recipient without contravention of any relevant legal requirements. It is the sole responsibility of any Recipient wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the laws of the relevant jurisdiction and/or Malaysia in connection therewith, including without limitation, the receipt of our Shares or cash payments 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 WYNCORP shall be entitled to be fully indemnified by such Recipients for any tax or payment that the Recipients may be required to pay.
  
8. This Information Memorandum has not been made and will not be made to ensure that our Proposed Excluded Issue complies with the laws of any jurisdiction other than Malaysia. We and WYNCORP shall not accept any responsibility or liability in the event that any action taken by any Recipient 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 WYNCORP fully indemnified for the payment of such taxes or payments.

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**IMPORTANT NOTICE (CONT'D)**

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**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 Excluded Issue only (“**Purpose**”), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be transferred to locations outside Malaysia or disclosed to the relevant authorities, our related corporations or our vendor, agent, contractor, service provider, consultant or adviser who provide services to us, including our Placement Agent, which may be located within or outside Malaysia. Save for the foregoing, your Personal Data will not be knowingly transferred to any place outside Malaysia or be knowingly disclosed to any other third party.

Without prejudice to the terms and conditions of our Proposed Excluded Issue 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 for access to, or correction of, your Personal Data or limit the processing of your Personal Data (as described above) by submitting such request to the following:

Postal address:     Baba Eco Group Berhad  
                          c/o AGRITEUM Share Registration Services Sdn. Bhd.  
                          2nd Floor, Wisma Penang Garden  
                          42, Jalan Sultan Ahmad Shah  
                          10050 Penang

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 your 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**

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An indicative timetable for our Proposed Excluded Issue is set out below:

<b>Event</b>	<b>Date</b>
Date of Information Memorandum	19 September 2018
Allotment of Excluded Issue Shares	October 2018*
Listing of our Company on the LEAP Market	November 2018*

Note:

\* *Subject to receipt of approval from Bursa Securities for our Proposed Listing. An announcement for the key relevant dates will be made after obtaining Bursa Securities' approval for our Proposed Listing.*

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**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

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All references to “our Company” or “Baba Eco” in this Information Memorandum are to Baba Eco Group Berhad. All references to “our Group” or “Baba Eco Group” in this Information Memorandum are to our Company and our subsidiaries, taken as a whole. All references to “we”, “us”, “our” and “ourselves” are to our Company and our subsidiaries, save where the context otherwise requires. Statements as to our beliefs, expectations, estimates and opinions are those of our Company.

In this Information Memorandum, reference to the “Government” is to the Government of Malaysia, references to “Ringgit”, “Ringgit Malaysia”, “RM” and “sen” are to the lawful currency of Malaysia. Any discrepancies in the tables between the amounts listed and the totals in this Information Memorandum are due to rounding. Certain acronyms, technical terms and other abbreviations used are defined in “Definitions” section appearing after this section. Words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall include companies and corporations.

Any reference to any provisions of the statutes, rules and regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules and regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendment or re-enactment to statutes, rules and regulations, enactments or rules of stock exchange for the time being in force.

All references to dates and times are references to dates and times in Malaysia unless otherwise stated.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Information Memorandum and you should not rely on it. If there is any discrepancy between the contents of such website relating to our Group and this Information Memorandum, the information contained in this Information Memorandum shall prevail.

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## **FORWARD-LOOKING STATEMENTS**

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This Information Memorandum contains forward-looking statements. All statements other than statements of historical facts included in this Information Memorandum, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and do not guarantee future performance.

Forward-looking 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”, “project” or similar expressions and include all statements that are not historical facts.

Factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 6 on “Risk Factors”. We cannot give any assurance that the forward-looking statements made in this Information Memorandum will be realised. Such forward-looking statements are made only as at the LPD.

Save as required under Section 238(1) of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any updates or revision to any forward-looking statement contained in this Information Memorandum to reflect any changes in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Sophisticated Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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**DEFINITIONS**

The following terms in this Information Memorandum bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Act	:	Companies Act, 2016 as amended from time to time, and any re-enactments thereof
Baba Eco or Company	:	Baba Eco Group Berhad (1268966-W)
Baba Eco Group or Group	:	Collectively, Baba Eco and its Subsidiaries
Baba Eco Share(s) or Share(s)	:	Ordinary share(s) in our Company
Board	:	The Board of Directors of our Company
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CEO	:	Chief Executive Officer
CF/CCC	:	Certificate of fitness for occupation/ certificate of completion and compliance
CMSA	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
CSR	:	Corporate Social Responsibility
Constitution	:	The constitution of our Company
Director(s)	:	Member(s) of our Board
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EPS	:	Earnings per Share
Era-I Acquisition	:	Acquisition by Baba Eco Group Sdn. Bhd. of the entire issued share capital of Era-I comprising 100,000 ordinary shares from Leong Jyh Wen and Leong Jyahao, for an aggregate purchase consideration of RM2,839,000 which was satisfied via the issuance of 28,390,000 new Shares at an issue price of RM0.10 per Share. The acquisition of Era-I by Baba Eco Group Sdn. Bhd. was completed on 31 May 2018
Era-I SSA	:	Share sale agreement dated 26 April 2018 entered into between Baba Eco Group Sdn. Bhd., Leong Jyh Wen and Leong Jyahao for the Era-I Acquisition
Excluded Issue Share(s)	:	New Share(s) to be issued pursuant to the Proposed Excluded Issue
Executive Directors	:	Collectively our Company's executive directors, namely Leong Jyh Wen, Leong Jyahao and Joyce Lee Hoay Ling
Financial Years Under Review	:	FYE 31 October 2016 and FYE 31 October 2017

**DEFINITIONS (CONT'D)**

FPE	:	Financial period ended
FYE	:	Financial year ended/ending 31 October
GP	:	Gross profit
IMR Report	:	Independent Market Research Report dated 13 September 2018 prepared by Protégé Associates Sdn. Bhd., as set out in Section 5 of this Information Memorandum
Information Memorandum	:	This Information Memorandum dated 19 September 2018 in relation to our Proposed Excluded Issue and Proposed Listing
Issue Price	:	RM0.13 per Excluded Issue Share
KBL Acquisition	:	Acquisition by Baba Eco Group Sdn. Bhd. of the entire issued share capital of KBL comprising 800,000 ordinary shares from Leong Jyh Wen and Leong Jyahao, for an aggregate purchase consideration of RM16,883,000 which was satisfied via the issuance of 168,830,000 new Shares at an issue price of RM0.10 per Share. The acquisition of KBL by Baba Eco Group Sdn. Bhd. was completed on 31 May 2018
KBL SSA	:	Share sale agreement dated 26 April 2018 entered into between Baba Eco Group Sdn. Bhd., Leong Jyh Wen and Leong Jyahao for the KBL Acquisition
Key Management	:	Key management personnel of our Group, namely Leong Jyh Wen, Leong Jyahao, Joyce Lee Hoay Ling and Leong Siew Fong
Listing Requirements	:	LEAP Market Listing Requirements of Bursa Securities
LPD	:	31 August 2018, being the latest practicable date prior to the date of this Information Memorandum
LEAP Market	:	LEAP Market of Bursa Securities
NA	:	Net assets
Official List	:	A list specifying all securities listed on Bursa Securities
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price-to-earnings multiple
Promoters	:	Leong Jyh Wen, Leong Jyahao and Leong Siew Fong, collectively
Proposed Excluded Issue	:	Proposed issue of 40,600,000 Excluded Issue Shares at the Issue Price to Sophisticated Investors within the meanings of Section 230 of the CMSA

**DEFINITIONS (CONT'D)**

Proposed Listing	:	Proposed admission to the Official List and the listing and quotation of our entire enlarged issued share capital of RM25,000,002, comprising 237,820,020 shares on the LEAP Market
R&D	:	Research and development
Real Life Organic Cottage	:	Real Life Organic Cottage (PG0350564-U)
Real Life Bayan Lepas Organic Cottage	:	Real Life Bayan Lepas Organic Cottage (PG0404007-K)
SC	:	Securities Commission Malaysia
Sophisticated Investors	:	Investors who fall within Part I of Schedule 7 of the CMSA
Substantial Shareholder(s)	:	Has the meaning given in Section 136 of the Act
sqft	:	Square feet
USA	:	United States of America
WYNCORP	:	WYNCORP Advisory Sdn. Bhd. (632322-H), being the Approved Adviser, Custodian, Placement Agent and Continuing Adviser for our Proposed Excluded Issue and Proposed Listing

**CURRENCIES**

RM and sen	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
SGD	:	Singapore Dollar, the lawful currency of Singapore
USD	:	United States Dollar, the lawful currency of USA

**OUR SUBSIDIARIES**

Baba Borneo	:	Baba Borneo Sdn. Bhd. (1276199-P)
Era-I	:	Era-I Enterprise (M) Sdn. Bhd. (234810-W)
KBL	:	Kean Beng Lee Industries (M) Sdn. Bhd. (399320-T)

**TECHNICAL TERMS**

IPQC	:	In Process Quality Control System
kW and kWh	:	Kilowatt and Kilowatt hour respectively
MWh	:	Megawatt hour
OEM	:	Original Equipment Manufacturer
QA	:	Quality Assurance
QMS	:	Quality Management System
TDS	:	Total Dissolved Solids

**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name/ Designation</b>	<b>Residential Address</b>	<b>Occupation</b>	<b>Nationality</b>
Leong Jyh Wen (Managing Director)	No. 15, Lorong Tambun Indah 19 Taman Tambun Indah 14100 Simpang Ampat Pulau Pinang	Company Director	Malaysian
Leong Jyahao (Executive Director)	No. 15, Lorong Tambun Indah 19 Taman Tambun Indah 14100 Simpang Ampat Pulau Pinang	Company Director	Malaysian
Joyce Lee Hoay Ling (Executive Director)	30, Lilitan Hargreaves 11600 Jelutong Pulau Pinang	Company Director	Malaysian

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**1. CORPORATE DIRECTORY (CONT'D)**

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- REGISTERED OFFICE** : 39, Salween Road  
10050 Georgetown  
Penang
- Telephone No. : (604) 210 9828  
Facsimile No. : (604) 210 9827
- HEAD OFFICE/  
PRINCIPAL PLACE OF  
BUSINESS** : 1384, Atas Lot 841  
MK 1 Jalan Tasek  
14120 Simpang Ampat  
Seberang Perai Selatan  
Pulau Pinang
- Telephone No. : (604) 587 2287  
Facsimile No. : (604) 588 0907  
Website : www.baba.com.my  
E-mail : corporate@baba.com.my
- COMPANY SECRETARY** : Ooi Yoong Yoong (MAICSA 7020753)  
39, Salween Road  
10050 Georgetown  
Penang
- Telephone No. : (604) 210 9828  
Facsimile No. : (604) 210 9827
- PRINCIPAL BANKER** : Public Bank Berhad  
19, 21 & 23 Jalan Keruing  
Kawasan Perniagaan Simpang Ampat  
14100 Simpang Ampat  
Seberang Perai Selatan  
Pulau Pinang
- Telephone No. : (604) 588 7000  
Facsimile No. : (604) 588 8080
- APPROVED ADVISER,  
CUSTODIAN, PLACEMENT  
AGENT AND CONTINUING  
ADVISER** : WYNCORP Advisory Sdn. Bhd. (632322-H)  
Suite 50-5-3A, Level 5  
Wisma UOA Damansara  
50, Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur
- Telephone No. : (603) 2096 2286 / 2289  
Facsimile No. : (603) 2011 2821
- AUDITORS AND  
REPORTING  
ACCOUNTANTS** : Grant Thornton Malaysia (AF0737)  
Chartered Accountants  
Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- Telephone No. : (603) 2692 4022  
Facsimile No. : (603) 2732 5119



**1. CORPORATE DIRECTORY (CONT'D)**

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- LEGAL ADVISER FOR OUR PROPOSED LISTING** : Azman Davidson & Co  
Suite 13.03, 13th Floor  
Menara Tan & Tan  
207 Jalan Tun Razak  
50400 Kuala Lumpur
- Telephone No. : (603) 2164 0200  
Facsimile No. : (603) 2164 0280
- SHARE REGISTRAR** : AGRITEUM Share Registration Services Sdn. Bhd.  
2nd Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang
- Telephone No. : (604) 228 2321  
Facsimile No. : (604) 227 2391
- INDEPENDENT MARKET RESEARCHER** : Protégé Associates Sdn. Bhd. (675767-H)  
Suite C-06-06 Plaza Mont' Kiara  
2, Jalan Kiara, Mont' Kiara  
50480 Kuala Lumpur
- Telephone No. : (603) 6201 9301  
Facsimile No. : (603) 6201 7302
- INDEPENDENT INTERNAL CONTROL CONSULTANT** : GovernAce Advisory & Solutions Sdn. Bhd. (1243730-W)  
Unit 210, Block B, Phileo Damansara 1  
9, Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan
- Telephone No. : (603) 2731 9203  
Facsimile No. : (603) 2731 9399
- LISTING SOUGHT** : LEAP Market

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## 2. DETAILS OF OUR PROPOSED LISTING

### 2.1 PROPOSED LISTING SCHEME

Pursuant to our Proposed Listing, we intend to issue 40,600,000 Excluded Issue Shares, representing approximately 17.07% of our enlarged issued share capital at RM0.13 per Excluded Issue Share to Sophisticated Investors within the meanings of Section 230 of the CMSA.

Our Proposed Listing is subject to the receipt of an approval from Bursa Securities. Hence, we have concurrently made an application to Bursa Securities for the admission of our Company to the Official List and the listing and quotation of our entire enlarged issued share capital of RM25,000,002 comprising 237,820,020 Shares on the LEAP Market and are awaiting Bursa Securities' decision on the same.

### 2.2 BASIS OF ARRIVING AT THE ISSUE PRICE

Our Board, together with WYNCORP, have determined and agreed to the Issue Price of RM0.13 per Share, after taking into consideration of the following factors:

- (i) our Group's EPS of approximately 1.43 sen based on our combined PAT of RM3.39 million for the FYE 2017 and our enlarged number of issued shares of 237,820,020 Shares which translate into a PE Multiple of approximately 9.09 times for the FYE 2017;
- (ii) our Group's NA per share of approximately 10 sen based on our combined NA of RM19.72 million as at 31 October 2017 and our existing number of issued shares of 197,220,020 prior to the Proposed Excluded Issue;
- (iii) our competitive position as set out in Section 4.5 of this Information Memorandum; and
- (iv) our future plans and business strategies to grow our business as set out in Section 4.18 of this Information Memorandum.

Prior to our Proposed Listing, there was no public market for our Shares within or outside Malaysia. You should note that the market price of our Shares subsequent to our Proposed Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You are reminded to carefully consider the risk factors as set out in Section 6 of this Information Memorandum and form your own views on the valuation of our Shares before deciding to invest in them.

### 2.3 SHARE CAPITAL UPON PROPOSED LISTING

Upon completion of the Proposed Excluded Issue, our Company's entire enlarged issued share capital comprising 237,820,020 shares shall be listed on the LEAP Market. The details of our enlarged issued share capital are as set out below:

	No. of Shares ( <b>'000</b> )	RM' <b>000</b>
Existing issued share capital	197,220	19,722
New Shares to be issued pursuant to our Proposed Excluded Issue	40,600	5,278
Enlarged issued share capital upon our Proposed Listing	237,820	25,000
Issue Price per Excluded Issue Share (RM)		0.13
<b>Market capitalisation at the Issue Price upon our Proposed Listing (RM'000)</b>		<b>30,917</b>

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

We have only one class of shares in our Company, namely ordinary shares. The Excluded Issue Shares will, upon allotment and issuance, rank pari-passu in all respects with our existing Shares, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Excluded Issue Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share in the profits paid out by us as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to any surplus in accordance with our Constitution.

At any general meeting of our Company, each shareholder shall be entitled to vote in person or by proxy or by attorney or by duly authorised representative. Each shareholder shall be entitled to appoint not more than 2 proxies to attend and vote at any general meeting of our Company. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy. On a poll, each shareholder present either in person or by proxy or by attorney or by duly authorised representative shall have 1 vote for each Share held.

### 2.4 SHAREHOLDING STRUCTURE

Our shareholding structure before and after our Proposed Listing are as set out below:

Shareholders	Before Proposed Listing		After Proposed Listing	
	No. of shares	%	No. of shares	%
Promoters	197,220,020	100.00	197,220,020	82.93
New public shareholders	-	-	40,600,000	17.07
<b>Total</b>	<b>197,220,020</b>	<b>100.00</b>	<b>237,820,020</b>	<b>100.00</b>

### 2.5 UTILISATION OF PROCEEDS

Based on the Issue Price, we expect to raise gross proceeds of RM5.28 million from our Proposed Excluded Issue, which are intended to be utilised in the following manner:

Details of utilisation	RM'000	%	Estimated timeframe for utilisation upon Proposed Listing
(i) Capital expenditure	2,400	45.47	Within 24 months
(ii) R&D expenditure	500	9.47	Within 24 months
(iii) Overseas expansion	500	9.47	Within 24 months
(iv) Purchase of production equipment	800	15.16	Within 24 months
(v) Working capital	128	2.43	Within 24 months
(vi) Estimated listing expenses	950	18.00	Immediate
<b>Total</b>	<b>5,278</b>	<b>100.00</b>	

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

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Further details on the utilisation of proceeds from our Proposed Excluded Issue are as set out below:

**(i) Capital expenditure**

We intend to utilise approximately RM2.40 million of the proceeds to expand and renovate of our production facilities, to cater for our future plans as outlined in Section 4.18 of this Information Memorandum.

**(ii) R&D expenditure**

We intend to utilise approximately RM0.50 million of the proceeds to set up a R&D laboratory, to support our R&D activities for innovation of new products as outlined in Section 4.18 of this Information Memorandum.

**(iii) Overseas expansion**

We intend to utilise approximately RM0.50 million of the proceeds to establish physical presence in selected countries within Southeast Asia, as outlined in Section 4.18 of this Information Memorandum.

**(iv) Purchase of production equipment**

We intend to utilise approximately RM0.80 million of the proceeds to enhance our production equipment to facilitate the expansion of our product offerings, as outlined in Section 4.18 of this Information Memorandum.

**(v) Working capital**

Our working capital requirements are expected to increase in line with our intended business expansion as outlined in Section 4.18 of this Information Memorandum. Thus, we intend to allocate approximately RM0.13 million of the proceeds for the day-to-day operations of our Group, which shall include but are not limited to, staff costs, payments to suppliers and other creditors, marketing and promotional expenses as well as administrative expenses.

**(vi) Estimated listing expenses**

The proceeds allocated for listing expenses include professional fees, fees payable to the relevant authorities and other miscellaneous expenses in relation to our Proposed Excluded Issue and Proposed Listing.

In the event that the actual amounts vary from the above estimates, the excess or deficit, as the case may be, would be reallocated to/from the amount earmarked for working capital.

Pending the utilisation of proceeds for the abovementioned purposes, save for the estimated listing expenses of RM0.95 million, the proceeds will be placed as deposits with licensed financial institutions, or used for investments in short-term deposits or money market, as our Board may in their absolute discretion deem appropriate.

The utilisation of proceeds from our Proposed Excluded Issue as aforesaid for our operations, in conjunction with our business expansion plans as outlined in Section 4.18 of this Information Memorandum, is expected to further improve our financial performance and thereby, enhance our shareholders' value.

Subject to amongst others our cash flow requirements, our improved financial performance would facilitate the payment of higher dividends to our shareholders. Please refer to Section 2.7 of this Information Memorandum for further details about our dividend policy.

## **2. DETAILS OF OUR PROPOSED LISTING (CONT'D)**

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### **2.6 OBJECTIVES OF OUR PROPOSED LISTING**

The objectives of our Proposed Listing are as follows:

- (i) to facilitate our business expansion as the listing status of our Company is expected to enhance our corporate profile, which we believe would help our Group in securing new customers and expanding our business both locally and overseas;
- (ii) to enable our Group to gain access to the capital markets for cost-effective fund raising and allow us to achieve an optimal capital structure for our anticipated future expansion and growth as set out in Section 4.18 of this Information Memorandum;
- (iii) to provide an opportunity for the investing community to participate in the equity ownership and anticipated future growth of our Group; and
- (iv) to establish liquidity for our Shares.

### **2.7 DIVIDEND POLICY**

As our Company is an investment holding company, our ability to pay dividends are 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 expenditure as well as other factors.

It is the intention of our Board to recommend and distribute a dividend of up to 20% of our annual audited PAT attributable to the shareholders of our Company. Any dividend declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our Group's current intention and shall not constitute legally binding statement in respect of our Group's future dividends, which are subject to our Board's absolute discretion. Please refer to Section 6.2.4 of this Information Memorandum on the risk that our dividend payment is not guaranteed.

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) our operating cash flow requirements and financing obligations;
- (iii) our expected financial performance including return on equity and retained earnings;
- (iv) any restrictive covenants contained in our current and future financing arrangements;
- (v) the availability of adequate reserves and cash flows; and
- (vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

### 3. DETAILS OF OUR GROUP

#### 3.1 INCORPORATION AND HISTORY OF OUR GROUP

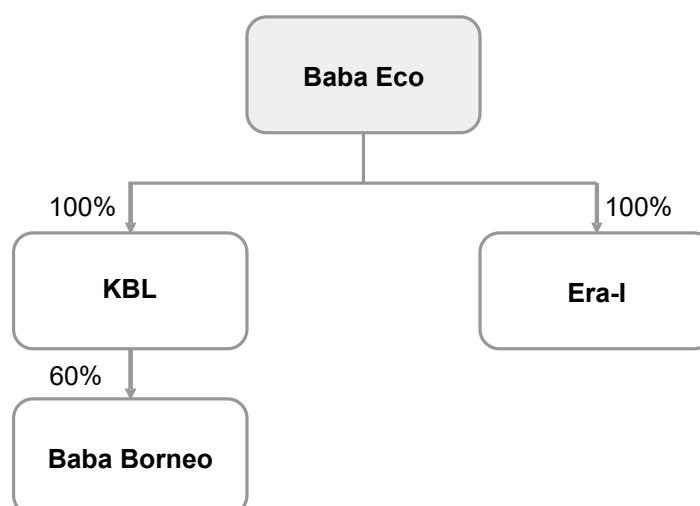
##### 3.1.1 Overview of our Group

Our Company was incorporated in Malaysia under the Act on 19 February 2018 as a private limited company under the name of Baba Eco Group Sdn. Bhd. Our Company was incorporated for the purpose of being an investment holding company and listing vehicle for our Group pursuant to our Proposed Listing.

Subsequently, on 27 June 2018, our Company was converted into a public limited company and since then, assumed our current name, Baba Eco Group Berhad.

Our Company's principal activity is investment holding, whilst our Group is principally involved in the manufacturing and trading of flower pots, gardening accessories, planting media, organic fertilisers and natural pesticides, catering to both local as well overseas markets.

As at the LPD, the current corporate structure of our Group is depicted as follows:



Please refer to Section 3.3 of this Information Memorandum for details on our Subsidiaries.

##### 3.1.2 Background and History

The history of our business can be traced back to the establishment of Keanbenglee Plastic Industries in 1987 by Mr. Leong Kin Choy, the late father of Mr. Leong Jyh Wen. Operating from a single storey terrace unit utilising used machinery, we began our operations manufacturing plastic parts used in fashion accessories.

We began to manufacture plastic flower pots in 1991, an initiative led by our Managing Director, Mr. Leong Jyh Wen. Back then, ceramic flower pots were commonly used for gardening and Mr. Leong Jyh Wen felt that they were heavy and not durable, as they break easily. He saw this as an opportunity and ventured into producing plastic flower pots that are light and durable as an alternative flower pots to the conventional ceramic flower pots.

In the same year, we launched the "Baba" brand and thereafter, we began to market our manufactured products under the "Baba" brand. The brand name was inspired by the unique blend of the Chinese and Malay culture in the Baba Nyonya community in Malaysia.

### 3. DETAILS OF OUR GROUP (CONT'D)

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We also expanded our production capacity and moved to our new manufacturing facility at Seberang Perai Selatan, Penang, to cater for growing demand in our plastic flower pots.

In 1992, we established Era-I as part of our effort to streamline our business operations. Incorporated as a trading company, it trades and distributes our manufactured products, while Keanbenglee Plastic Industries focuses on its core manufacturing function.

KBL was subsequently incorporated on 22 August 1996 as a private limited company to assume all the manufacturing operations, as part of our business expansion strategy to tap into overseas market.

In 1998, we completed the expansion of our manufacturing facility to approximately 18,000 sqft, housing two factory buildings to facilitate the growth of our business operations.

As part of our commitment to quality, we established an internal quality management system which was assessed and accredited with the ISO 9001 Quality Management by SGS United Kingdom Ltd in 2000.

Propelled by the continued growth of our business operations, we carried out further expansions to our manufacturing facility between 2001 to 2003 with the total built-up areas increased to approximately 57,000 sqft, housing 1 corporate office and 3 factory buildings.

In 2004, we began to manufacture planting media products as an initiative to expand our product offerings. In 2005, we managed to penetrate into modern trade markets by supplying to supermarkets.

In 2006, we embarked on a number of marketing efforts to increase awareness of our brand and products. We established a Baba Display Programme with selected gardening centres where we set up the Baba display shelves at these centres showcasing Baba products. We also organised our first horticultural seminar aimed at allowing participants to share their experiences and inputs on various areas ranging from business operations to product education. Since then, we continue to work closely with our dealers both locally and abroad. We organise regular seminars with the objective of gathering feedback and encourage the exchange of information between dealers and our Group. We also organised trips to our headquarter for our foreign dealers to gain better understanding of our business and products.

We achieved another important milestone in 2009 when we successfully launched our range of organic fertiliser products.

In 2010, we embarked on new marketing initiative focusing on creating eco-friendly products and enhancing public awareness on areas such as gardening and organic farming. Under the initiative, we introduced "Baba Green Living Cottage" – a retail display concept that provides customers with wide range of nursery and gardening supplies and "Baba Study and Research Organic Farming" trips and camps where we teach the public and gardening nurseries on the importance of organic farming and how to farm organically at home and smaller premises.

As part of our continuous R&D initiative to create eco-friendly products, we successfully developed our own-branded biodegradable flower pots which was launched into the market in 2011. We continued with the development of new products and in 2015, we successfully launched a range of natural pesticide products.

### 3. DETAILS OF OUR GROUP (CONT'D)

Over the years, we have grown from a small plastic injection enterprise to a group of companies manufacturing and supplying a wide range of gardening supplies to local retail stores, hypermarkets, gardening nurseries and home improvement stores located both locally and abroad. The integrated nature of our operations allows us to compete competitively both locally and abroad, whilst offering our clients with quality products and services. We have also received a number of awards recognising our efforts and results in the industry such as the SMI Brand Builders Award and 2004 run of the Enterprise 50 Award Programme.

#### 3.2 SHARE CAPITAL

As at the LPD, our issued share capital is RM19,722,002 comprising 197,220,020 Shares.

Details of the changes in our issued share capital since incorporation up to the LPD are as follows:

Date of Allotment	Number of Shares Alloted	Consideration	Cumulative Issued Share Capital (RM)
19 February 2018	2	Cash	2
23 April 2018	20	Share split	2
31 May 2018	197,220,000	Other than cash <sup>(1)</sup>	19,722,002

Note:

(1) Pursuant to Era-I Acquisition and KBL Acquisition.

None of our Shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares.

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### 3. DETAILS OF OUR GROUP (CONT'D)

#### 3.3 DETAILS OF OUR SUBSIDIARIES

The details of our subsidiaries as at the LPD are as follows:

Name and Registration Number	Date of Incorporation/ Country of Incorporation	Issued Share Capital (RM)	Our Company's Effective Interest (%)	Principal Activities
KBL (399320-T)	22 August 1996/ Malaysia	800,000	100	Principally involved in the manufacturing and trading of flower pots, planting media, organic fertilisers and natural pesticides; as well as trading of gardening accessories and pre-packed seeds
Era-I (234810-W)	25 February 1992/ Malaysia	100,000	100	Principally involved in the trading of flower pots, gardening accessories, planting media, organic fertilisers, natural pesticides, seeds and vegetables
<b><u>Subsidiary company of KBL</u></b>				
Baba Borneo (1276199-P)	12 April 2018/ Malaysia	100	60	Principally involved in the trading, marketing and selling of gardening accessories and products including related products

### 3. DETAILS OF OUR GROUP (CONT'D)

#### 3.3.1 Information on KBL

##### (i) History and Business

KBL was incorporated in Malaysia under Companies Act, 1965 as a private limited company on 22 August 1996 under its present name.

Its main business activities include:

(a) manufacturing and trading of flower pots, planting media, organic fertilisers and natural pesticides; and

(b) trading of gardening accessories and pre-packed seeds;

catering to both domestic and overseas markets.

##### (ii) Share Capital

As at the LPD, KBL's issued share capital is RM800,000 comprising 800,000 ordinary shares.

Details of the change in KBL's issued share capital since its incorporation up to the LPD are as follows:

Date of Allotment	Number of Ordinary Shares	Consideration	Cumulative Issued Share Capital (RM)
22 August 1996	2	Cash	2
20 January 1997	150,000	Cash	150,002
19 September 2000	349,998	Cash	500,000
22 January 2002	300,000	Cash	800,000

None of KBL's ordinary shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of KBL's ordinary shares.

##### (iii) Shareholder

KBL is our wholly-owned subsidiary.

##### (iv) Subsidiary and Associates

Baba Borneo is a subsidiary of KBL. KBL owns 60% equity interest in Baba Borneo.

KBL does not have any associate company.

### 3. DETAILS OF OUR GROUP (CONT'D)

#### 3.3.2 Information on Era-I

##### (i) History and Business

Era-I was incorporated in Malaysia under Companies Act, 1965 as a private limited company on 25 February 1992 under its present name.

Its main business activities include trading of flower pots, gardening accessories, planting media, organic fertilisers, natural pesticides, seeds and vegetables; catering to the local market.

##### (ii) Share Capital

As at the LPD, Era-I's issued share capital is RM100,000 comprising 100,000 ordinary shares.

Details of the change in Era-I's issued share capital since its incorporation up to the LPD are as follows:

Date of Allotment	Number of Ordinary Shares	Consideration	Cumulative Issued Share Capital (RM)
25 February 1992	2	Cash	2
8 March 1999	99,998	Cash	100,000

None of Era-I ordinary shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of Era-I's ordinary shares.

##### (iii) Shareholder

Era-I is our wholly-owned subsidiary.

##### (iv) Subsidiary and Associates

Era-I does not have any subsidiary or associate company.

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### 3. DETAILS OF OUR GROUP (CONT'D)

#### 3.3.3 Information on Baba Borneo

##### (i) History and business

Baba Borneo was incorporated in Malaysia under the Act as a private limited company on 12 April 2018 under its present name and commenced operations on 27 July 2018.

Its main business activities include trading, marketing and selling of gardening accessories and products including related products; focusing on East Malaysia market.

##### (ii) Share Capital

As at the LPD, Baba Borneo issued share capital is RM100 comprising 100 ordinary shares.

Details of the change in Baba Borneo's issued share capital since its incorporation up to the LPD are as follows:

Date of Allotment	Number of Ordinary Shares	Consideration	Cumulative Issued Share Capital (RM)
12 April 2018	100	Cash	100

None of Baba Borneo's ordinary shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of Baba Borneo's ordinary shares.

##### (iii) Shareholder

Baba Borneo is a subsidiary of KBL. KBL owns 60% equity interest in Baba Borneo, while the remaining 40% equity interest is owned by Greener Point Sdn. Bhd. ("**Greener Point**").

##### (iv) Subsidiary and associates

Baba Borneo does not have any subsidiary or associate company.

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## 4. BUSINESS OVERVIEW

### 4.1 PRINCIPAL ACTIVITIES OF OUR GROUP

Baba Eco Group is an integrated gardening supplies provider under our proprietary brand name “Baba”. Through our Subsidiaries, we are primarily involved in:

- (i) The manufacturing and trading of a diversified range of eco-friendly biodegradable plastic flower pots and planting media;
- (ii) The processing and trading of organic fertilisers and natural pesticides; and
- (iii) The trading of a diversified range of gardening accessories, seeds and agricultural produce.

We supply to both local and overseas markets.

#### 4.1.1 Manufacturing of Gardening Products

##### (a) Biodegradable Flower Pots



Our flower pots are made with biodegradable materials, in line with our Group’s strategy to promote eco-friendly gardening supplies. We currently manufacture and supply more than 35 series of flower pots, some of which feature our patented designs. Our flower pots can be classified into the following 3 broad categories:

Name of product	Functionality
Table top pots	<ul style="list-style-type: none"> <li>• Smaller sized flower pots that are suitable for indoor use</li> </ul>
Outdoor pots	<ul style="list-style-type: none"> <li>• Suitable for large potted plants</li> <li>• Can be used to plant vegetables and fruit trees</li> </ul>
Self-watering pots	<ul style="list-style-type: none"> <li>• A self-watering pot that stores water at the bottom of the pot, feeding water to the roots when the soil is dry</li> </ul>

#### 4. BUSINESS OVERVIEW (CONT'D)

##### (b) Planting Media



We manufacture more than 10 types of planting media which are formulated with specific functionality to cater for different types of plants. The table below highlights some of our primary planting media:

Type of product	Functionality
Baba Cactus & Succulent Potting Mix	<ul style="list-style-type: none"> <li>Planting media for cactus and succulent plants</li> <li>Contains slight alkaline which helps to neutralise the acid that secreted from the root</li> </ul>
Baba Compost Maker	<ul style="list-style-type: none"> <li>Helps to speeds up and improve the composting quality</li> </ul>
Baba Green Mary	<ul style="list-style-type: none"> <li>Organic planting soil which contains coco peat, burnt soil, river sand, burnt husk, humus and charcoal powder</li> </ul>
Baba Organic Vegimix	<ul style="list-style-type: none"> <li>Organic planting soil which does not contain pesticides</li> </ul>
Baba Seedling Soil	<ul style="list-style-type: none"> <li>Seedling soil to ease the germination of seeds</li> <li>Contains peat moss and humus to help nourish the plants</li> </ul>
Baba Tenen Adenium Obesum Potting Mix	<ul style="list-style-type: none"> <li>Suitable for adenium and meaty-stemmed plants</li> <li>Contains rich organic matter to promote growth</li> </ul>
Baba Yasa-I Vege Soil	<ul style="list-style-type: none"> <li>Extra lightweight planting media</li> <li>Contains plant base compost to ensure plant growth</li> </ul>

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.1.2 Processing of Organic Fertilisers and Natural Pesticides

###### (a) Organic Fertilisers



As part of our initiative to promote organic farming, we also process a series of organic fertilisers formulated with different functionality catering to both consumer and farmer markets. The table below sets out the primary types of organic fertilisers processed and marketed by us:

Type of product			Functionality
Baba	426	Organic Fertiliser	<ul style="list-style-type: none"> <li>Made of natural, plant-based materials and balanced with nutrition and minerals</li> <li>Suitable for fruit trees, flowers and vegetable</li> </ul>
Baba	532	Organic Fertiliser	<ul style="list-style-type: none"> <li>Made of natural, plant-based materials and balanced with nutrition and minerals</li> <li>Suitable for vegetables, lawn grass and foliage plants</li> </ul>
Baba	Neem Cake	Enhanced Formulation	<ul style="list-style-type: none"> <li>Contains high content of organic matter which helps to condition the soil to ensure softness as well as replenish soil nutrients</li> <li>Formulated with natural pesticides for systematic pest prevention</li> </ul>
Baba	Organic Biological	Base Fertiliser	<ul style="list-style-type: none"> <li>Contains various minerals and beneficial microbes which helps to revitalise soil and replenish organic matter</li> <li>Protects the roots development and increases the absorption of fertiliser</li> <li>Increases the resistance of disease for more lively plants appearance</li> </ul>
Baba	Tenen 20x	Indoor Fertiliser	<ul style="list-style-type: none"> <li>Fertiliser for indoor plants</li> <li>Substitute for sunlight nutrient</li> </ul>
Baba	Tenen 50x	Flowering Fertiliser	<ul style="list-style-type: none"> <li>Stimulates cell growth of fruits and flowers, which helps to promote fruting and flowering</li> </ul>
Baba	Ganick	Fish Gold	<ul style="list-style-type: none"> <li>Stimulates new cell growth</li> </ul>
Baba	All Purpose	Plant Compost	<ul style="list-style-type: none"> <li>Ideal for soil improvement and crop enhancement</li> </ul>

4. BUSINESS OVERVIEW (CONT'D)

(b) Natural Pesticides



Our business operations extend to processing and marketing of eco-friendly natural pesticides used in gardening and farming. The table below sets out the primary types of natural pesticides processed and marketed by us:

Type of product	Functionality
Baba Natural Pesticide: Dr Neem	<ul style="list-style-type: none"> <li>An organic insecticide with anti-feedant effect, repellent effect and insect growth disruption effect</li> </ul>
Baba Natural Pesticide: Organic Molluscicide	<ul style="list-style-type: none"> <li>To prevent snails from damaging the plant</li> </ul>
Baba Natural Pesticide: Scale Terminator	<ul style="list-style-type: none"> <li>To prevent pest from damaging the plants by disrupting the pests' gaseous exchange process</li> </ul>
Baba Natural Pesticide: Super Magosa	<ul style="list-style-type: none"> <li>Acts as an insecticide by disrupting pest's cellular membrane, which causes it to dehydrate and die</li> </ul>
Baba Natural Pesticide: Organic Plant Acid	<ul style="list-style-type: none"> <li>Acts as a fungicide, insecticide, combat the bad odour and serves as a natural preservative</li> </ul>

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.1.3 Trading of Gardening Accessories, Seeds and Agricultural Produce

To complement our product offerings, we also source a variety of gardening accessories from external suppliers on OEM basis and market these products under our proprietary “Baba” brand. The table below summarises the main types of gardening accessories that we currently trade:

Usage	Primary products
Watering and irrigation	Baba trigger sprayers, watering cans, basic watering set and ergonomic spray gun
Trimming and pruning	Extra lightweight and ergonomically hedge shear, 2 in 1 hedge shear, handy grass shear, basic bypass pruner, premium bypass pruner, heavy-duty aluminium ratchet pruner, deluxe straight blade, basic flower snip and heavy-duty aluminium anvil

To facilitate consumers' experience on vegetable gardening at home, we also offer a range of selected, good quality pre-packed vegetable and fruits seeds.

In addition, we also supply agricultural produce harvested from our Baba Organic Study & Research Farm (*please refer to Section 4.8 of this Information Memorandum for further details*) and sourced from third-party farmers to our customers, as part of our initiatives to promote organic products.

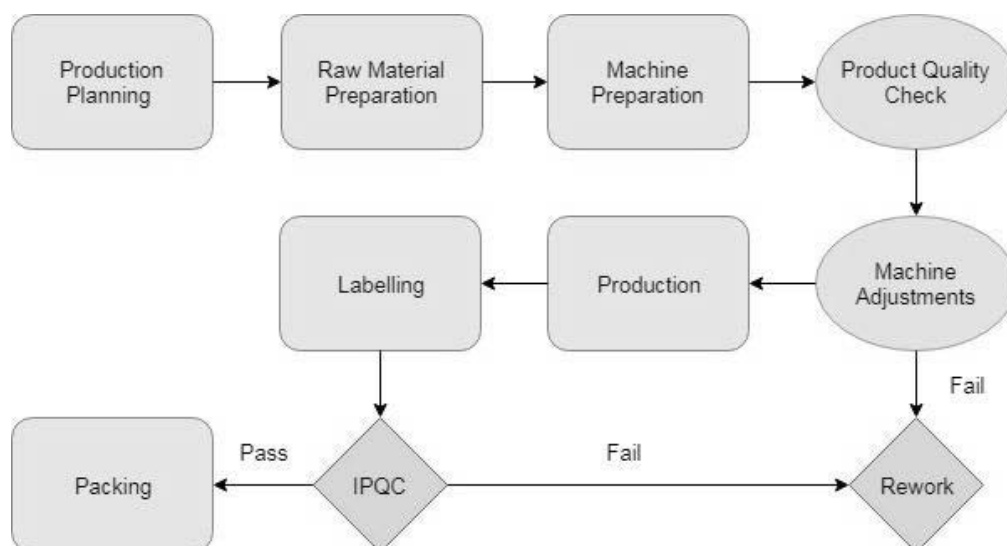
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## 4. BUSINESS OVERVIEW (CONT'D)

### 4.2 BUSINESS PROCESSES

The following sections detail the production processes involved in our Group's core activities.

#### 4.2.1 Manufacturing of Biodegradable Plastic Flower Pots



#### **Production Planning**

Our production team will collate the orders received to determine the required quantum for each individual item. Based on the production list compiled, our production team will then schedule the production process and timing for the required items. This is followed by the preparation of Baba's identity label and barcode for each pot to be manufactured, which is used at later stage for traceability purpose.

#### **Raw Material Preparation**

The key raw material consumed in the production of our biodegradable flower pots is plastic resin. We have established our own raw materials formula for each and every type and size of flower pot. The requisite raw materials are gathered and evenly mixed before being transferred to the injection moulding machine for production.

#### **Machine Preparation**

Depending on the type and size of flower pot to be produced, different moulds will need to be installed to the injection moulding machines before commencement of production. We adopt the quick-change-mould system, which allows us more flexibility during the manufacturing process and reduce the downtime during the change of mould. The water and air pipe connections are examined before the mould is fitted into the injection moulding machine.

Once the initial preparation is completed, our technician will set the machine to its proper configuration according to the production plan and commence production of the first-run sample.

**4. BUSINESS OVERVIEW (CONT'D)**

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**Product Quality Check and Machine Adjustments**

The first-run sample will be inspected by our quality control team. If the sample flower pot manufactured fails to meet the prescribed standards, our technician will fine-tune the settings of the machine and produce another batch of samples for inspection.

**Production**

Once the quality of the sample flower pot meets the prescribed standards, we will then proceed to mass production of the flower pots according to the production planning. The key process involved in the production of our flower pots is injection moulding, where pre-mixed raw materials are melted and injected into the moulds' cavity to form the required shape and size. The completed flower pots are then detached from the moulds.

**Labelling**

Each of the completed flower pots is affixed with Baba's identity & QA label which contains the name, type and dimension of the flower pot, along with a barcode and serial number that is specific to each pot.

**IPQC**

Our quality control team will then proceed to perform a series of checks on the finished goods, ranging from visual inspection to physical testing on fittings as part of our QA procedures. Finished products that passed our quality control process are then sent for packing. Products that fail the quality control will be sent back for rework or scrapped, depending on the condition of the products.

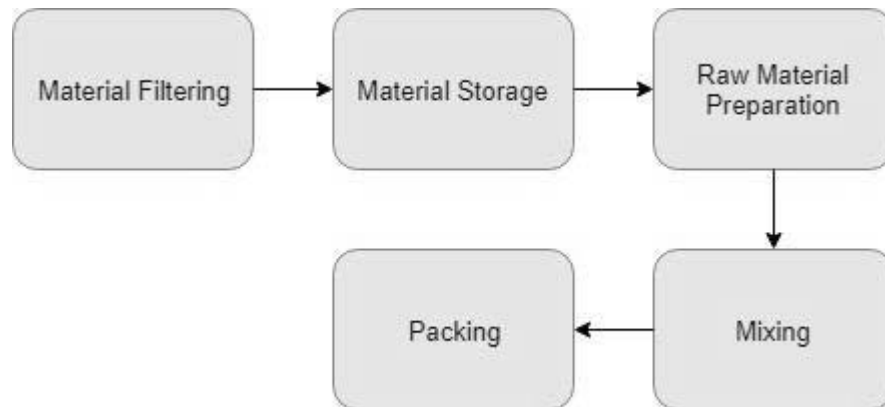
**Packing**

Finished products that passed our quality control checks are sent for packing in our warehouse. Flower pots will be stacked and placed in carton boxes, which are then packed and sealed ready for transportation to our customers.

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.2.2 Manufacturing of Planting Media



##### **Material Filtering**

Prior to the commencement of production of planting media, we will perform the sieving process to separate the composted material from the non-composted material. In the sieving process, the soils will pass through a sieve where the finer particles will be sorted out to be used for subsequent processing.

##### **Material Storage**

The finer particles will be compiled and stored. The raw materials will normally be purchased and sieved in advance to prevent any delay in our operations.

##### **Raw Material Preparation**

Our production team will schedule the manufacturing of planting media according to the orders received, and request the requisite raw materials to be transferred from store to the production division.

##### **Mixing**

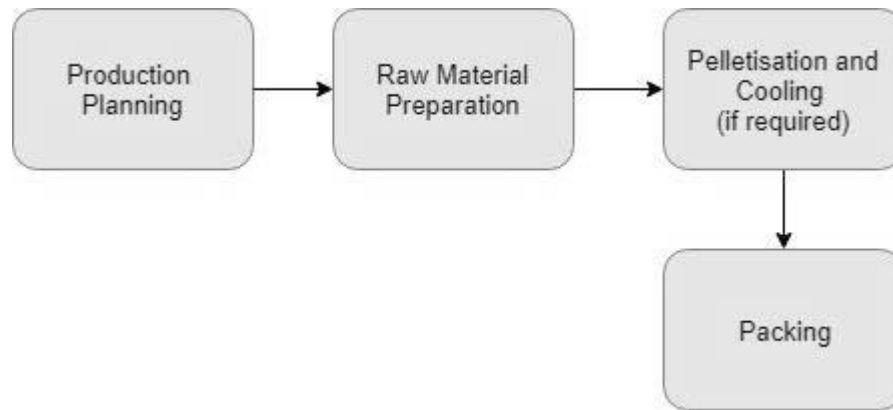
A mixing checklist is used by our production team to ensure all the requisite raw materials are in place for the manufacturing of the planting media. The raw materials will then be conveyed into the machine to be evenly mixed. The mixed soils will then be sent for testing and experiment to determine its quality and composition. Finished products that meet the quality requirements will be transferred to the packaging division for weighing and packing. Products that fail to meet the quality requirements will be sent back to the production department for refinement.

##### **Packing**

Planting media that passed the quality control checks will be weighed and packed into labelled packages according and stored in the warehouse awaiting delivery to the customers. Inspection will be carried out to ensure the packaging is intact.

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.2.3 Processing of Organic Fertiliser



##### **Production Planning**

Our sales and marketing team will market our product offerings to our customers comprising retail chains, nurseries, wholesalers and hypermarkets. Our production team will then schedule the production of fertilisers according to the orders secured.

##### **Raw Material Preparation**

We have prescribed raw materials for each type of the fertiliser. Our production team will gather the requisite raw materials depending on the type of fertilisers to be produced. The raw materials will be weighted and rationed accordingly before being mixed. Samples of mixed fertilisers will then be sent to the quality control department for quality inspection.

##### **Pelletisation and Cooling (if required)**

Depending on the type of fertilisers, the raw materials may need to be pelletised. If required, the machine will be pre-conditioned to configure them into suitable conditions prior to the pelletisation process.

The raw materials mixture will then be compressed into pellets and left to cool. After the cooling process, samples of the fertilisers will be sent to the quality control department for quality inspection.

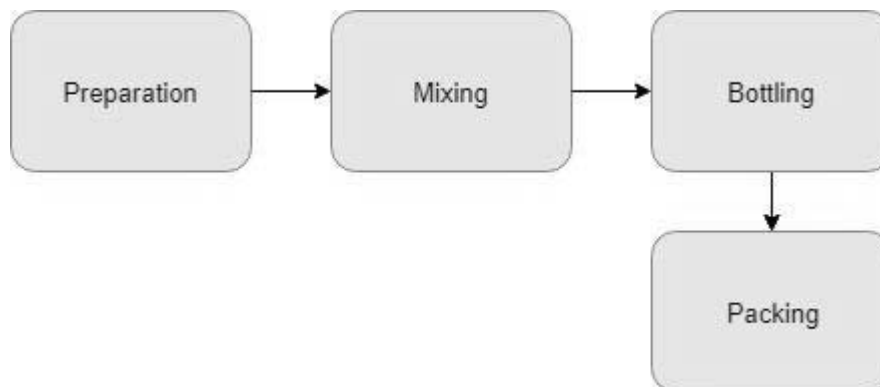
##### **Packing**

Finished products that meet the quality requirements will be weighed and packaged into labelled packages accordingly and stored in the warehouse awaiting delivery to customers. Inspection will be carried out to ensure the packaging is intact.

Products that fail to meet the quality requirements will be sent back to the production team for refinement.

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.2.4 Processing of Natural Pesticides



##### **Preparation**

We have a variety of pesticides under our product offerings. Raw materials and packaging materials such as bottles/containers and labels will be sourced accordingly based on the production schedule.

Our production team will gather the requisite raw materials and packaging materials depending on the type of pesticides to be produced. Baba's identity label which contains the product information will be affixed to the empty bottles/containers accordingly.

##### **Mixing**

Prior to the mixing process, our production team will ensure that the mixing drum is clean and free from impurities. The purity of the drum is tested by using a TDS meter. The tester must indicate 0.00 for assurance that there are no impurities in the water contained within the mixing drum.

Our production team will then prepare the necessary liquid mixtures based on our prescribed formula and measurement specific to the type of pesticides to be produced. The liquid mixtures will then be mixed in the mixing drum.

##### **Bottling**

The mixed formulation will be left idle for 15 minutes before the commencement of the bottling process. Our QA department will test the mixed formulation to ensure conformity with our prescribed formula.

Upon satisfactory test results, the mixed formulation will be filled into the empty labelled bottles/containers using the filling machine according to the prescribed quantum.

##### **Packing**

Finished products will be packed into the carton boxes and transferred to warehouse, for delivery to customers.

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.3 PRINCIPAL MARKETS AND MAJOR CUSTOMERS

###### Principal Markets

Our products are supplied to both local customers as well as overseas markets. Our revenue contribution by geographical location for the FYE 2017 are shown in the table below:

	Revenue (RM'000)	% over Total Revenue (%)
Local market: Malaysia	19,122	75.24
Overseas market:		
Singapore	2,589	10.19
New Zealand	885	3.48
Saudi Arabia	602	2.37
Thailand	569	2.24
Philippines	340	1.34
Others <sup>(1)</sup>	1,309	5.15
	6,294	24.77
<b>Total</b>	<b>25,416</b>	<b>100.00</b>

Note:

(1) Others consist of Aruba, Curacao, Cambodia, Mauritius, Brunei, New Caledonia, Dubai, South Africa, Bangladesh, Australia, Papua New Guinea, Qatar, Myanmar, Japan, Fiji, Timor, Ecuador and Cameroon. These countries contributed less than 1% of our Group's total revenue.

###### Major Customers

Our Group is currently serving more than 300 active customers, across Malaysia as well as from overseas. Our products are marketed and sold through our customers, with a good mix of customer base comprising retail stores, gardening centres and nurseries, wholesalers and hypermarkets.

Our Group is not dependent on any individual customer, as none of our customers individually account for more than 5% of our Group's total revenue for the FYEs 2016 and 2017.

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**4. BUSINESS OVERVIEW (CONT'D)****4.4 MAJOR SUPPLIERS**

We source our raw materials required for our operations mainly from suppliers that are based in Malaysia. The table below shows our Group's major supplier over the past 2 financial years, who individually account for more than 5% of our Group's total purchases:

No.	Supplier Name	Country of Incorporation	Products sourced	FYE 2016		FYE 2017		Years of relationship
				Total Purchases (RM'000)	%	Total Purchases (RM'000)	%	
1.	Toling Corporation (M) Sdn. Bhd.	Malaysia	Plastic resin	2,506	19.40	2,651	19.35	11 years

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#### 4. BUSINESS OVERVIEW (CONT'D)

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##### 4.5 COMPETITIVE POSITION

**(i) We have diversified range of gardening supplies**

Our Group provides a diversified range of gardening supplies comprising over 500 products covering a wide spectrum of gardening needs including biodegradable plastic flower pots, planting media, organic fertilisers, natural pesticides as well as gardening tools and accessories; serving both local and overseas markets. By providing a wide range of products, we would be able to better accommodate our customer's needs and save them the sourcing time and costs. Our Group continuously monitors the latest market trends, with new products added to our product offerings from time to time to keep abreast with the latest market demands and to replace obsolete products.

**(ii) We have established customer base and market presence**

Our Group serves more than 300 active customers across Malaysia. Our products are marketed and sold through our customers, with a good mix of customer base comprising retail stores, gardening centres and nurseries, wholesalers and hypermarkets. This enables us to have a wide market presence throughout the country.

**(iii) We have continuous focus on market education and awareness**

Our Group has been actively carrying out market education and awareness initiatives in collaboration with our dealers. These initiatives include facilitating trade visits by customers, organising seminars and workshops on organic farming, gardening and horticulture. We believe that by nurturing and educating our customers and consumers, we would be able to enhance the acceptance of our products.

**(iv) We have experienced and hands-on leadership and management**

Our past success and future growth have been and will always be influenced by the presence and leadership of several key personnel within our organisation. The experience, expertise and competencies of our management team give us a strong and sustainable competitive strength over our competitors.

Our Managing Director, Mr. Leong Jyh Wen, has more than 25 years of accumulated experience in the gardening supplies market and our Group has been able to benefit significantly from his leadership and knowledge. His vast practical and hands-on leadership endeared our Group to our clients and suppliers, translating into greater business relationship and opportunities for our Group. He is further supported by our key management consist of capable and dedicated personnel.

**(v) We have an established brand**

Our proprietary "Baba" brand enjoys good market recognition and has received a number of awards in the past as a testament to our brand's success. Amongst others, we have been awarded the Brand Builders Award by SMI Association in 2004 and the Superbrands Award by Superbrands Malaysia in 2005. These awards are granted to brands that have successfully established a strong and positive brand image. We continue to enhance our branding and in the recent years, we have put in place initiatives to promote the idea of safe and organic farming and gardening, adding eco-friendly element to our "Baba" brand.

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.6 PRODUCTION CAPACITY AND CAPACITY UTILISATION

Due to the nature of our business operations where we manufacture a diversified range of products, we do not have a defined production capacity. The notable constraint on our Group's production capacity is the machine capacity of our plastic injection moulding machines. Set out below is the machine capacity and utilisation rate of our plastic injection moulding machines for the FYE 2017:

Machine	Machine Capacity <sup>(1)</sup> (hours)	Actual Operation (hours)	Utilisation Rate <sup>(2)</sup> (%)
138 Ton Injection Moulding	8,640	5,827	67.44
168 Ton Injection Moulding	8,640	6,863	79.43
170 Ton Injection Moulding	8,640	2,998	34.70 <sup>(3)</sup>
218 Ton Injection Moulding	8,640	1,966	22.75 <sup>(3)</sup>
218 Ton Injection Moulding	8,640	5,395	62.44
228 Ton Injection Moulding	8,640	7,590	87.85
268 Ton Injection Moulding	8,640	5,815	67.30
268 Ton Injection Moulding	8,640	4,762	55.12 <sup>(3)</sup>
408 Ton Injection Moulding	8,640	7,302	84.51
408 Ton Injection Moulding	8,640	4,943	57.21 <sup>(3)</sup>
800 Ton Injection Moulding	8,640	3,853	44.59 <sup>(3)</sup>

##### Notes

- (1) Represents the maximum hours the machine can operate per annum. The machine capacity can only be measured by the machine hours, as the output varies depending on the moulds used which in turn are based upon the type of flower pots being manufactured. Calculated by using the formula: 24 hours x 30 days x 12 months.
- (2) The actual utilisation rate is unlikely to reach 100% due to lead time in changing the moulds, scheduled maintenance and machine downtime.
- (3) The utilisation rate for these machines were relatively low during the FYE 2017 as they were used for niche production of specific items.

##### 4.7 SEASONALITY

Generally, our Group's business is not subject to any significant cyclical or seasonal trend.

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.8 SALES AND MARKETING

As at the LPD, our Group's sales and marketing department consist of 31 personnel. Led by our Executive Director, Ms. Joyce Lee Hoay Ling, the marketing department is responsible for developing our Group's business and customer base both locally and overseas. The marketing strategies adopted by our Group include the following:

##### (i) Baba Green Living Cottage

Baba Green Living Cottage is a retail concept established to increase our Group's visibility in the market, where we encourage our customers who carry a wide selection of our product offerings to adopt the uniform product display layout.

A picture of Baba Green Living Cottage retail concept is shown as below:



##### (ii) Farming Camps and Horticultural Events

Aim at promoting and raising the awareness on environmental protection and organic farming, we have put in place several initiatives which amongst others include:

- Organising farming camps and programmes in collaboration with schools to educate teachers and students on the ideas of, and promote awareness on, environmental protection;
- Organising horticultural events to share the proper organic farming techniques with the farmers; and
- Organising horticultural seminars and coordinating education trips to overseas' organic farms and organisations for our dealers and customers to provide them with insights on the latest trends and methodologies in the industry.

##### (iii) Baba Organic Study & Research Farm

Our Group has set up a Baba Organic Study & Research Farm as a research and promotional centre. Located at Simpang Ampat, Pulau Pinang, it works closely with agricultural producers to study the effects and benefits of switching to organic farming methods from the conventional farming methods. In addition, the centre is also used to provide classes to participants from our other education and awareness programmes.

#### 4. BUSINESS OVERVIEW (CONT'D)

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##### (iv) Online Presence

We also maintain a corporate website at [www.baba.com.my](http://www.baba.com.my) which provides visitors with information on our Group, ranging from the products offered by us to our CSR projects. It is also linked to our social media page which details events organised by our Group as well as promotions on our products. Our online presence extends to Baba e-Shop, our electronic commerce page at [www.shop.baba.com.my](http://www.shop.baba.com.my) where consumers can place orders online.

#### 4.9 RESEARCH AND DEVELOPMENT

At present, our R&D activities primarily focus on product development and improvement led by our Executive Director, Mr. Leong Jyahao.

Moving forward, we intend to further enhance our R&D capabilities and activities. We have earmarked approximately RM0.50 million of the proceeds from our Proposed Excluded Issue to set up a R&D laboratory. Please refer to Section 4.18 of this Information Memorandum for further details.

#### 4.10 TECHNOLOGY USED

Our Group's manufacturing operations primarily involved mechanical processes and do not have any significant reliance on third-party software or technology.

Listed below are the primary production machinery and equipment used by our manufacturing operations:


- (i) Injection moulding machines : For manufacturing of plastic flower pots
- (ii) Filter machines : For filtering of soils
- (iii) Mixing machines : For blending and mixing of formulation
- (iv) Mixer tank and filling machine : For mixing of liquid formulation and bottling
- (v) Pelletisation machine : For compressing powder substance into pellets

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.11 MATERIAL INTELLECTUAL PROPERTIES AND TRADEMARKS

Our Group is materially dependent on the following intellectual properties and trademarks for our business and profitability:

##### Trademarks

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
1.		KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	04011152	03.08.2014 – 03.08.2024
		KBL	Malaysia	Class 20	Flower stand; flower pot pedestals; flower pot holders; sofa and furniture; containers of plastic; plastic racks; jewellery cases; all included in class 20	00013022	19.09.2010 – 19.09.2020
		KBL	Malaysia	Class 21	Plastic vases, small domestic utensils and containers, all included in Class 21	93006972	09.09.2010 – 09.09.2020
		KBL	Philippines	Class 21	Flower pots, flower pot covers (not made of paper), vases (not made of precious metal), gloves for gardening, small domestic utensils, namely spatulas (as kitchen utensils), rolling pins and whisks (non-electric item for household purposes); containers for household or kitchen use; pastry cutters, cake molds, pails, watering cans, holders for flower and plants [flower arranging]	4/2005/00004708	04.12.2016 – 04.12.2026


## 4. BUSINESS OVERVIEW (CONT'D)

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
		KBL	Vietnam	Class 21	Flower pots; flower vases; pails; watering cans; gloves for gardening	40125	26.09.2010 – 26.09.2020
		KBL	Thailand	Class 21	Flower pots; flower vases; pails; watering cans; gloves for gardening	Kor 145533	24.09.2010 – 24.09.2020
		KBL	USA	Class 21	Flower pots, flower pot covers, vases, gloves for gardening, small domestic utensils namely spatulas, rolling pins and whisks; and containers for household or kitchen use, pastry cutters, cake molds, pails and watering cans, in class 21 (U.S. Cls 2,13,23,29,30,33,40 and 50)	2630596	08.10.2012 – 08.10.2022
		KBL	China	Class 21	Flower pots; flower vases; pails; watering cans; gloves for gardening	1810898	21.07.2012 – 20.07.2022
		KBL	Indonesia	Class 21	Flower pots, flower pot covers, vases, holders for flowers and plants (flower arranging), gloves for gardening, small domestic utensils and containers, pastry cutters, cake moulds, pails, watering cans; all included in Class 21	IDM000263592	08.09.2010 – 07.09.2020
		KBL	Japan	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	4522920	16.11.2011 – 16.11.2021

## 4. BUSINESS OVERVIEW (CONT'D)


No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
		KBL	Singapore	Class 21	Cake moulds, flower-pot covers, flower pots, gloves for gardening, holders for flowers and plants (flower arranging), pails, pastry cutters, vases, watering cans	T00/16173D	13.09.2010 – 13.09.2020
		KBL	European Union	Class 21	Household or kitchen utensils and containers; flower pots, vases, holders for flowers and plants; bird cages; cake moulds; pastry cutters; gloves for gardening and household purposes; watering cans; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steel wool; unworked or semi-worked glass (except glass used in building; glassware, porcelain and earthenware.	002641801	25.03.2012 – 25.03.2022
		KBL	Saudi Arabia	Class 21	Flower pots, flower pot covers, vases, holders for flowers and plants (flower arranging), gloves for gardening, small domestic utensils and containers, pastry cutters, cake moulds, pails, watering cans; all included in Class 21	608/42	25.06.2010 – 08.03.2020

## 4. BUSINESS OVERVIEW (CONT'D)


No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
2.		KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	09017481	07.10.2009 – 07.10.2019
KBL		Philippines	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	4-2010-001117	29.07.2010 – 29.07.2020	
KBL		Indonesia	NCL9 01	Fertilisers and potting soil	Registration No. IDM000314121	11.02.2010 – 11.02.2020	
KBL		Singapore	Class 01	Chemicals for use in industry; chemicals used in agriculture, chemicals for use in horticulture (other than fungicides, weedkillers, herbicides, insecticides, parasiticides); chemicals for forestry, except fungicides, herbicides, insecticides and parasiticides; potting soil; prepared soils; soil; chemical additives for soil; conditioners for the soil; soil enrichment chemicals; soil improvement substances; soil improvers; manures; fertilisers	T1000254Z	08.01.2010 – 08.01.2020	






## 4. BUSINESS OVERVIEW (CONT'D)

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
		KBL	Thailand	Class 01	Fertilisers-chemical, fertilisers-natural, potting soils	Kor332297	10.03.2010 – 09.03.2020
3.		KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	2010000007	04.01.2010 – 04.01.2020
		KBL	Thailand	Class 01	Fertilisers-chemical, fertilisers-natural, potting soils	Registration No. Kor332298	10.03.2010 – 09.03.2020
		KBL	Indonesia	NCL9 01	Fertilisers and potting soil	Registration No. IDM000314202	11.02.2010 – 11.02.2020
		KBL	Philippines	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	Registration No. 4-2010-001118	29.07.2010 – 29.07.2020

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
		KBL	Singapore	Class 01	Chemicals for use in industry; chemicals used in agriculture, chemicals for use in horticulture (other than fungicides, weedkillers, herbicides, insecticides, parasiticides); chemicals for forestry, except fungicides, herbicides, insecticides and parasiticides; potting soil; prepared soils; soil; chemical additives for soil; conditioners for the soil; soil enrichment chemicals; soil improvement substances; soil improvers; manures; fertilisers	T1000255H	08.01.2010 – 08.01.2020
4.		KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	2010020789	02.11.2010 – 02.11.2020
		KBL	Malaysia	Class 31	Agricultural, horticultural and forestry products (not included in other classes); fresh fruits and vegetables; seeds, natural plants and flowers; all included in class 31	2010020790	02.11.2010 – 02.11.2020

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
5.		KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	2012059201	22.11.2012 – 22.11.2022
		KBL	Malaysia	Class 31	Grains and agricultural, horticultural and forestry products not included in other classes; fresh fruits and vegetables; seeds, natural plants and flowers; all included in class 31	2012059203	22.11.2012 – 22.11.2022
6.		KBL	Malaysia	Class 31	Grains and agricultural, horticultural and forestry products not included in other classes; fresh fruits and vegetables; seeds, natural plants and flowers; all included in class 31	2016061855	28.06.2016 – 28.06.2026
7.		KBL	Malaysia	Class 35	The bringing together, for the benefit of others, of a variety of goods (excluding the transport thereof), enabling customers to conveniently view an purchase those goods in retail or wholesale or distributing or franchise outlets or via internet websites, mail order, and general merchandise catalogues or by telecommunications or cable mediums or by means of	2012051597	15.03.2012 – 15.03.2022

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
					<p>electronic media; advertising, direct mail advertising and publicity services; distribution of samples; business management; business administration; sales, promotional and marketing services; import and export agency services. Provision of business information; selection and procurement of goods ; arranging and conducting trade shows and exhibitions; advisory, consultancy, franchising, commercial administration and management of the licensing of the goods and services of others; all the aforesaid services in relation to chemicals used in industry, science, photography, agriculture, horticulture and forestry, fertilisers and manures, soil and soil additives, bleaching, cleaning, polishing, scouring and abrasive preparations, cosmetics, toiletries, bodycare, products, oralcare products, haircare products, skincare products, perfumery, essential oils, lubricants, fuels and illuminants, candles and wicks, sanitary, pharmaceutical and veterinary preparations, preparation for destroying vermin, disinfectants, baby products, healthcare products, health supplements, electrical products, and hand tools and implements, paper and non-paper products, plastic and non</p>		


## 4. BUSINESS OVERVIEW (CONT'D)

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
					plastic products, gardening and landscaping accessories, garden and pond ornaments, ropes, nets, tents, tarpaulins, sacks, bags, textile goods, household products, souvenir items, foodstuffs, drinks and beverages, baby food agricultural, horticultural and forestry products, grains, seeds, natural, plants and flowers, all included in class 35		
8.	<b>BABA BIO-INSIDE</b>	KBL	Malaysia	Class 45	Certification services included in class 45	08019337	25.09.2008 – 25.09.2018
9.	<b>GREENLOVER</b>	KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	04015379	08.10.2014 – 08.10.2024
10.	<b>PERDANA</b>	KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures, fertilisers; all included in class 01	04015380	08.10.2014 – 08.10.2024




## 4. BUSINESS OVERVIEW (CONT'D)

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
11.	<b>SUKATANI</b>	KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures; all included in class 01	04016100	20.10.2014 – 20.10.2024
12.	<b>RAKANINDAH</b>	KBL	Malaysia	Class 01	Potting soil; soil conditioning preparations for enhancing the growth of agricultural products; chemical products for the conditioning of soil; chemical products for the protection of plants [other than fungicides, weedkillers, herbicides, insecticides and parasiticides]; fertilisers for soil; mineral products for use in growing plants; nutrients for plants; all included in class 01	05008588	31.05.2015 – 31.05.2025
13.	<b>GREEN MARY</b>	KBL	Malaysia	Class 01	Potting soil; soil conditioning preparations for enhancing the growth of agricultural products; chemical products for the conditioning of soil; chemical products for the protection of plants [other than fungicides, weedkillers, herbicides, insecticides and parasiticides]; fertilisers for soil; mineral products for use in growing plants; nutrients for plants; all included in class 01	05008589	31.05.2015 – 31.05.2025

## 4. BUSINESS OVERVIEW (CONT'D)


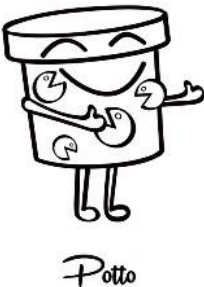
No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
14.	<b>SEJATI</b>	KBL	Malaysia	Class 01	Potting soil; soil conditioning preparations for enhancing the growth of agricultural products; chemical products for the conditioning of soil; chemical products for the protection of plants [other than fungicides, weedkillers, herbicides, insecticides and parasiticides]; fertilisers for soil; mineral products for use in growing plants; nutrients for plants; all included in class 01	05008590	31.05.2015 – 31.05.2025
15.		KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures; all included in class 01	06008511	22.05.2016 – 22.05.2026
16.	<b>VAGEMIX</b>	KBL	Malaysia	Class 01	Chemicals used in industry as well as in agriculture, horticulture and forestry; potting soil; prepared soils; soil; soil additives; soil conditioners; soil enrichment chemicals; soil improvement substances; soil improvers; manures; all included in class 01	07016058	16.08.2017 – 16.08.2027
17.	<b>TENEN</b>	KBL	Malaysia	Class 01	Fertiliser included in class 01	97006776	26.05.2014 – 26.05.2024

## 4. BUSINESS OVERVIEW (CONT'D)


No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
18.		KBL	Malaysia	Class 21	Pots, plastic vases; pottery; baskets for domestic use; household or kitchen small utensils and containers (not of previous metal or coated there with); all included in class 21	01008009	27.06.2011 – 27.06.2021
19.		KBL	Malaysia	Class 35	Charitable Services, namely, organizing and conducting volunteer programmes and community service projects; all included in class 35	2017050693	12.01.2017 – 12.01.2027
20.		KBL	Malaysia	Class 8	Hand tools and implements (hand-operated); hand-operated gardening tools; all included in class 8	2017056895	20.04.2017 – 20.04.2027





## 4. BUSINESS OVERVIEW (CONT'D)

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
21.	 Ganick	KBL	Malaysia	Class 01	Chemicals used in industry, science, agriculture, horticulture and forestry; earth for growing; potting soil; growing media for plants; horticultural potting mixtures; peat pots for horticulture; substrates for soil-free growing [agriculture]; soil improving agents; soil conditioning preparations; plant food; plant growth regulating preparations; plant growth regulating substances; plant strengthening preparations; plant growth regulating substances; plant strengthening preparations; manures; fertilisers; compost; flower preservatives; nutrients for flowers; all included in class 01	2017056898	20.04.2017 – 20.04.2027
22.	 Potto	KBL	Malaysia	Class 21	Household or kitchen utensils and containers; glassware, porcelain and earthenware not included in other classes; pots; plant pots; plant pot covers, not of paper; plant baskets; plant holders; plant pot holders of metal; plant pot holders, non-metallic; bases for plant pots; flower pots; flower pot holders; flower pot liners; gardening gloves; gloves for household purposes; glove holders; glove stretchers; watering apparatus, other than automatic, for garden use; watering devices; all included in class 21	2017056900	20.04.2017 – 20.04.2027

## 4. BUSINESS OVERVIEW (CONT'D)



No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
23.		KBL	Malaysia	Class 35	The bringing together, for the benefit of others, of a variety of goods (excluding the transport thereof), enabling customers to conveniently view and purchase those goods from retail outlets, wholesale outlets, distributor outlets, mail order catalogues or by means of electronic media; advertising; marketing; sales promotion services; business administration; business consultancy; business information; business inquiries; business management; business research; commercial administration of the licensing of the goods and services of others; demonstration of goods; display services for merchandise; distribution of samples; organisation of events, exhibitions, fairs and shows for commercial, promotional and advertising purposes; presentation of goods on communication media, for retail purposes; retail services; retailing of goods (by any means); wholesale services; wholesaling of goods (by any means); all included in class 35	2017056909	20.04.2017 – 20.04.2027

## 4. BUSINESS OVERVIEW (CONT'D)



No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
24.		KBL	Malaysia	Class 01	Chemicals used in industry, science, agriculture, horticulture and forestry; earth for growing; potting soil; growing media for plants; horticultural potting mixtures; peat pots for horticulture; substrates for soil-free growing [agriculture]; soil improving agents; soil conditioning preparations; plant food; plant growth regulating preparations; plant growth regulating substances; plant strengthening preparations; plant growth regulating substances; plant strengthening preparations; manures; fertilisers; compost; flower preservatives; nutrients for flowers; all included in class 01	2017056919	20.04.2017 – 20.04.2027
25.		KBL	Malaysia	Class 42	Certification services; laboratory analysis, research and testing services; product analysis and testing; all included in class 42	2014057286	20.05.2014 – 20.05.2024

#### 4. BUSINESS OVERVIEW (CONT'D)


As at the LPD, our Group has also applied for registration of the following trademarks and these trademarks are pending registration:

No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
1.		KBL	Malaysia	Class 05	Pharmaceutical and veterinary preparations; disinfectants; fly catching adhesives; fly glue; fly paper; fly destroying preparations; preparations for trapping flies; anti-fly lotion; anti-horse-fly oils; pest control agents; preparations for destroying pests; adhesives for pest control; poisons; preparations for destroying vermin; acaricides; algicides; bactericides; biocides; fungicides, germicides, herbicides, insect repellents; insecticides; larvicides; microbicides; mildewcides; miticides; molluscicides; parasiticides; pesticides; raticides; rodenticides; vermicides; all included in class 5	2017075898	Pending registration
2.		KBL	Malaysia	Class 41	Arranging and conducting of colloquiums, conferences, congresses, seminars and symposiums; arranging and conducting of workshops [training]; education; organization of exhibitions for cultural or educational purposes; providing of training; publication of texts, other than publicity texts; writing of texts, other than publicity texts; all included in class 41	2017060969	Pending registration

## 4. BUSINESS OVERVIEW (CONT'D)




No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
3.		KBL	Cambodia	Class 01 and Class 05	<p><u>Class 01:</u> Fertiliser; organic fertiliser; compost, fertilisers/manure for agriculture; hormones for hastening the ripening of fruit</p> <p><u>Class 05:</u> Insecticides; algicides; pesticides; acaricides; bacterial poisons; biocides; herbicides; fly catching adhesive; fly destroying preparations; fungicides; germicides; insect repellents; chemical preparations to treat mildew; rat poison; slug exterminating preparations; vine disease treating chemicals</p>	KH/T/2018/81078	Pending registration
4.		KBL	Cambodia	Class 01 and Class 05	<p><u>Class 01:</u> Fertiliser; Organic fertiliser; compost, fertilisers/manure for agriculture; hormones for hastening the ripening of fruit</p> <p><u>Class 05:</u> Insecticides; algicides; pesticides; acaricides; bacterial poisons; biocides; herbicides; fly catching adhesive; fly destroying preparations; fungicides; germicides; insect repellents; chemical preparations to treat mildew; rat poison; slug exterminating preparations; vine disease treating chemicals</p>	KH/T/2018/81079	Pending registration

## 4. BUSINESS OVERVIEW (CONT'D)



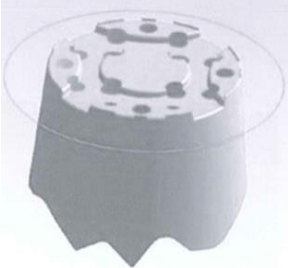
No.	Trademark Logo	Registered Owner/ Registrant	Country of Registration	Class No.	Description of Class Heading of Trademark	Application No./ Registration No.	Validity Period/ Status
5.		KBL	Cambodia	Class 01, Class 21 and Class 31	<p><u>Class 01</u>: Planting soil; Potting mix; compost; microorganisms (cultures of -) other than for medical and veterinary use; plant growth regulation preparations; potting soil; soil conditioning preparations; substrates for soil-free growing [agriculture]; wood vinegar [pyroligneous acid]</p> <p><u>Class 21</u>: Gardening articles; flower pots; flower-pot covers; gardening gloves; holders for flowers and plants [flower arranging]; nozzles for sprinkler hose, nozzles for watering cans/hoses for watering cans; sprinklers, syringes for watering flowers and plants/sprinklers for watering flowers and plants; vases; watering devices/sprinkling devices; watering cans; window-boxes</p> <p><u>Class 31</u>: Seeds, cereal seeds, grains [seeds]/plant seeds; ornamental plant/flower for decoration; agricultural and aquaculture crops and horticulture products; flowers; fresh fruits, vegetables and herbs</p>	KH/T/2018/81080	Pending registration

#### 4. BUSINESS OVERVIEW (CONT'D)

##### Patents for Industrial Designs



No.	Patent	Registered Owner/ Registrant	Country of Registration	Description of Patent	Validity Period/ Status
1.	  Patent No. MY 03-00291	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape and configuration of the articles as shown in the representation.	13.05.2018 – 13.05.2023
2.	  Patent No. MY 03-00292	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape and configuration of the articles as shown in the representation.	13.05.2018 – 13.05.2023
3.	  Patent No. MY 03-00794	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape, configuration, pattern and ornamentation of the articles as shown in the representation	22.12.2013 – 22.12.2018

## 4. BUSINESS OVERVIEW (CONT'D)

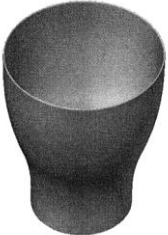
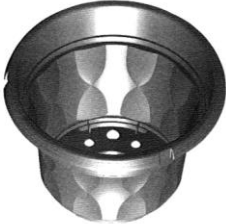
No.	Patent	Registered Owner/ Registrant	Country of Registration	Description of Patent	Validity Period/ Status
4.	 <p>Patent No. MY 05-00623</p>	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape and configuration of the article as shown in the representations.	15.07.2015 – 15.07.2020
5.	 <p>Patent No. MY 05-00624</p>	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape and configuration of the article as shown in the representations.	15.07.2015 – 15.07.2020
6.	 <p>Patent No. MY 05-00911</p>	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape and configuration of the article as shown in the representations.	13.10. 2015 – 13.10.2020






## 4. BUSINESS OVERVIEW (CONT'D)

No.	Patent	Registered Owner/ Registrant	Country of Registration	Description of Patent	Validity Period/ Status
7.	  Patent No. MY 06-00128	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape and configuration of the article as shown in the representations.	07.03.2016 – 07.03.2021
8.	  Patent No. MY 06-00480	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape, configuration and pattern of the article as shown in the representations.	30.06.2016 – 30.06.2021

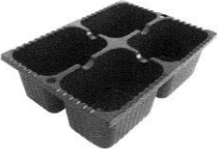


## 4. BUSINESS OVERVIEW (CONT'D)

No.	Patent	Registered Owner/ Registrant	Country of Registration	Description of Patent	Validity Period/ Status
9.	 Patent No. MY 10-00143-0101	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape, configuration and pattern of the article as shown in the representations.	03.02.2015 – 03.02.2020
10.	 Patent No. MY 10-01168-0101	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape, configuration and pattern of the article as shown in the representations.	20.09.2015 - 20.09.2020

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Patent	Registered Owner/ Registrant	Country of Registration	Description of Patent	Validity Period/ Status
11.	 Patent No. MY 12-00166-0101	KBL	Malaysia	The feature of the design for which novelty is claimed resides in the shape, configuration and pattern of the article as shown in the representations.	09.02.2017 – 09.02.2022
12.	 Patent No. MY 13-E0045-0101	KBL	Malaysia	The feature of the design for which novelty is claimed reside in the shape and configuration, pattern and ornamentation of the article as shown in the representations.	25.03.2018 – 25.03.2023
13.	 Patent No. MY 13-E0046-0101	KBL	Malaysia	The feature of the design for which novelty is claimed reside in the shape and configuration, pattern and ornamentation of the article as shown in the representations.	25.03.2018 – 25.03.2023

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Patent	Registered Owner/ Registrant	Country of Registration	Description of Patent	Validity Period/ Status
14.	  Patent No. MY 13-E0047-0101	KBL	Malaysia	The feature of the design for which novelty is claimed reside in the shape and configuration, pattern and ornamentation of the article as shown in the representations.	25.03.2018 – 25.03.2023
15.	  Patent No. MY 13-E0079-0101	KBL	Malaysia	The feature of the design for which novelty is claimed reside in the shape and configuration, pattern and ornamentation of the article as shown in the representations.	22.04.2018 – 22.04.2023
16	  Patent No. MY 16-E0080-0101	KBL	Malaysia	The feature of the design for which novelty is claimed reside in the shape and configuration of the article as shown in the representations.	12.05.2016 – 12.05.2021

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.12 MAJOR LICENCES AND PERMITS

Our Group is materially dependent on the following licences and permits for our business and profitability:

###### 4.12.1 KBL

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed	Status of Compliance with Terms/ Conditions
1.	Premises and advertising licences	Majlis Perbandaran Seberang Perai	Reference No. 36/24053H/0054	01.03.2018 / 31.12.2018	None	Nil
2.	Licence for making plastic items	Majlis Perbandaran Seberang Perai	Reference No. 36/17074A/0022	01.03.2018 / 31.12.2018	None	Nil
3.	Manufacturing licence	Ministry of International Trade and Industry of Malaysia	Licence No. A 013405	06.11.2001  This licence does not need to be renewed and is valid until it is revoked.	(i) Issuance of this licence for site: No. 1384, Atas Lot 841, MK-1, Jalan Tasek, Simpang Ampat 14120 Seberang Perai Selatan Pulau Pinang is subject to the approval of the relevant state government and the Department of Environment.	Noted and complied

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed	Status of Compliance with Terms/ Conditions
					<p>(ii) This company is required to carry out this project within a period of 12 months from the date of enforcement of the manufacturing licence or within such period as allowed by the licensing officer. If this project is not executed within the specified period of time, this licence can be revoked.</p> <p>(iii) This company is excluded from equity conditions. If the shareholders' fund reaches RM 2.5 million, this company should notify the Ministry of International Trade and Industry in writing.</p> <p>(iv) The composition of the board of directors of this company has to, in general, mirror the company's equity structure and the Ministry of International Trade and Industry has to be notified of the appointment and any changes in the board of directors.</p>	<p>Noted and complied</p> <p>Noted</p> <p>Noted</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed	Status of Compliance with Terms/ Conditions
					(v) This company is required to recruit and train Malaysian citizens in order to mirror an interstate multi-racial composition for all level of positions.	Complied
					(vi) If this company plan to utilise used machineries, written approval from the Ministry of International Trade and Industry needs to be obtained in advance and a report has to be produced by an independent appraiser accepted by the Ministry of International Trade and Industry. The approval of the Ministry of International Trade and Industry has to also be obtained prior to any intended changes, addition or reduction towards the machineries under which there will be obvious effect towards the energy usage and/or production.	Noted
					(vii) This company is required to, as far as possible, utilise services from Malaysian-owned companies and businesses in the context of New Economy Policy.	Noted





## 4. BUSINESS OVERVIEW (CONT'D)

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed	Status of Compliance with Terms/ Conditions
					(x) This company is required to carry out its project as approved subject to the conditions as mentioned above and in accordance with the laws and regulations embodied in Malaysia.	Noted and complied
4.	Feed-In Approval granted pursuant to Section 7 of the Renewable Energy Act 2011	Sustainable Energy Development Authority Malaysia	Feed-In Approval/ FiA Certificate No. A00004702	16.07.2014 / 02.10.2035	<p>(i) The feed-in approval holder shall continue to comply with the eligibility criteria described in the Renewable Energy (Feed-In Approval and Feed-in Tariff Rate) Rules 2011.</p> <p>(ii) The feed-in approval holder shall meet the following milestones by the following dates:</p> <p>(a) Registration of REPPA with SEDA – by 19 August 2014</p> <p>(b) First payment to contractor – by 2 September 2014</p> <p>(c) Fit commencement date by 2 October 2014</p> <p>(iii) The feed-in approval holder shall observe and comply with the terms and conditions of this feed-in approval, the provisions of the Renewable Energy Act 2011 (hereinafter referred to as “the RE</p>	<p>Noted and complied</p> <p>Noted and complied</p> <p>Noted</p>

4. BUSINESS OVERVIEW (CONT'D)

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed	Status of Compliance with Terms/ Conditions
					<p>Act”) and any subsidiary legislation made or other instruments issued under the RE Act, and all other applicable laws.</p> <p>(iv) The feed-in approval holder shall provide information, in such format and at such intervals, as may be required by the Sustainable Energy Development Authority Malaysia (hereinafter referred to as “the Authority”) in connection with the feed-in approval holder’s renewable energy installation.</p> <p>(v) The feed-in approval holder shall obtain the prior written approval of the Authority in respect of any change in circumstances:</p> <p>(a) Which would result in the feed-in approval holder not complying with the eligibility criteria described in the Renewable Energy (Feed-in Approval and Feed-in Tariff Rate) Rules 2011; or</p>	<p>Noted</p> <p>Noted</p>

4. BUSINESS OVERVIEW (CONT'D)

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed	Status of Compliance with Terms/ Conditions
					<p>(b) Which would otherwise result in the feed-in approval holder being no longer entitled to be granted a feed-in approval under the RE Act and its subsidiary legislation.</p> <p>(vi) The feed-in tariff rate shall be subject to reduction in accordance with the RE Act in the event the feed-in tariff commencement date occurs later than the 31st day of December of the calendar year of the scheduled feed-in tariff commencement date. Such reduced rate shall be calculated by the Authority.</p> <p>(vii) The feed-in approval holder shall ensure that all information, documentation and certifications submitted to the Authority pursuant to the RE Act and its subsidiary legislation are true, accurate and complete.</p>	<p>Noted</p> <p>Noted and complied</p>

4. BUSINESS OVERVIEW (CONT'D)

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed	Status of Compliance with Terms/ Conditions
					<p>(viii) The feed-in approval holder shall ensure that its renewable energy installation meets an annual minimum performance threshold of no less than 35% of the following declared annual availability for each year during the effective period:</p> <ul style="list-style-type: none"> <li>(a) 2014- 16.7166MWh</li> <li>(b) 2015- 67.0500MWh</li> <li>(c) 2016- 67.0500MWh</li> <li>(d) 2017- 67.0500MWh</li> <li>(e) 2018- 67.0500MWh</li> <li>(f) 2019- 67.0500MWh</li> <li>(g) 2020- 67.0500MWh</li> <li>(h) 2021- 67.0500MWh</li> <li>(i) 2022- 67.0500MWh</li> <li>(j) 2023- 67.0500MWh</li> <li>(k) 2024- 67.0500MWh</li> <li>(l) 2025- 67.0500MWh</li> <li>(m) 2026- 67.0500MWh</li> <li>(n) 2027- 67.0500MWh</li> <li>(o) 2028- 67.0500MWh</li> <li>(p) 2029- 67.0500MWh</li> <li>(q) 2030- 67.0500MWh</li> <li>(r) 2031- 67.0500MWh</li> <li>(s) 2032- 67.0500MWh</li> <li>(t) 2033- 67.0500MWh</li> <li>(u) 2034- 67.0500MWh</li> <li>(v) 2035- 50.3334MWh</li> </ul>	Noted

4. BUSINESS OVERVIEW (CONT'D)

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed	Status of Compliance with Terms/ Conditions				
					<p>(ix) The total feed-in tariff that the feed-in approval holder is entitled to receive in each year during the effective period shall be limited to the total feed-in tariff payable to it for renewable energy generated up to the declared annual availability of the applicable year as specified in paragraph above.</p> <p>(x) The feed-in tariff rate ("FIT") that the feed-in approval holder will be receiving in each year during the effective period is computed as follow:</p> <table border="1" data-bbox="1285 948 1805 1321"> <thead> <tr> <th data-bbox="1285 948 1606 1042">Description of Qualifying Renewable Energy Installation</th> <th data-bbox="1606 948 1805 1042">FiT Rates (RM/kWh) 2014</th> </tr> </thead> <tbody> <tr> <td data-bbox="1285 1042 1606 1321"> <p>(a) Basic FiT rates having installed capacity of:</p> <ul style="list-style-type: none"> <li>▪ above 24kW and up to and including 72kW</li> </ul> </td> <td data-bbox="1606 1042 1805 1321" style="text-align: center;">0.8496</td> </tr> </tbody> </table>	Description of Qualifying Renewable Energy Installation	FiT Rates (RM/kWh) 2014	<p>(a) Basic FiT rates having installed capacity of:</p> <ul style="list-style-type: none"> <li>▪ above 24kW and up to and including 72kW</li> </ul>	0.8496	<p>Noted</p> <p>Noted</p>
Description of Qualifying Renewable Energy Installation	FiT Rates (RM/kWh) 2014									
<p>(a) Basic FiT rates having installed capacity of:</p> <ul style="list-style-type: none"> <li>▪ above 24kW and up to and including 72kW</li> </ul>	0.8496									

4. BUSINESS OVERVIEW (CONT'D)

No.	Description of Approval/ Licence/ Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date/ Expiry Date	Conditions Imposed		Status of Compliance with Terms/ Conditions
					Description of Qualifying Renewable Energy Installation	FiT Rates (RM/kWh) 2014	
					(b) Bonus FiT rates having the following criteria (one or more): <ul style="list-style-type: none"> <li>▪ S01: Additional for use as installation in buldings or building structures</li> </ul>	+0.2153	
					Feed-In Tariff Rate (RM/kWh)	1.0649	

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.12.2 Era-I

No.	Description of Approval / Licence / Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date / Expiry Date	Conditions Imposed	Status of Compliance with Terms / Conditions
1.	Business licence for selling plastic items by wholesale	Majlis Perbandaran Seberang Perai	36/12074B/10236	01.03.2018/ 31.12.2018	None	Nil
2.	Business licence as organic shop	Majlis Perbandaran Seberang Perai	36/52038B/47327	28.09.2017/ 27.09.2018	None	Nil

##### 4.12.3 Baba Borneo

No.	Description of Approval / Licence / Permit	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Issue Date / Expiry Date	Conditions Imposed	Status of Compliance with Terms / Conditions
1.	Business license as dealers in all kinds of seed, plants, trees, flowers, flower beds, spices, herbs, creepers, vegetables, fruits and as planters gardeners <sup>(1)</sup>	Government of the State of Sarawak	A 657675	03.07.2018/ 02.07.2019	None	Nil

**4. BUSINESS OVERVIEW (CONT'D)**

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*Note:*

- (1) *Some of the business descriptions are not applicable to Baba Borneo and are not reflective of the actual activities carried out by Baba Borneo. Baba Borneo is in the midst of making the application to amend the said descriptions.*

Our Board confirms that the Group has obtained all approvals and licences necessary for our business operations.

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.13 MATERIAL CONTRACTS NOT IN THE ORDINARY COURSE OF BUSINESS

Save as disclosed below, there are no other material contracts (including contracts not in writing), not being contracts entered into in the ordinary course of business and of material amount, that have been entered into by Baba Eco Group within the 2 years preceding the LPD:

- (i) KBL had on 29 December 2017 entered into a sale and purchase agreement with Leong Chee Keang and Leong Jyh Wen to purchase a piece of vacant land known as Lot No. 841 held under Geran Mukim No. 428, Mukim 01, Daerah Seberang Perai, Selatan Pulau Pinang for a purchase consideration of RM8,000,000 ("**SPA**").

The SPA was completed on 2 January 2018, with the title of ownership registered in the name of KBL on 27 April 2018 and issued on 16 May 2018.

- (ii) KBL had on 2 January 2018 entered into a sale and purchase agreement with Leong Chee Keang, Leong Jyh Wen and Leong Siew Fong to purchase a piece of land known as Lot No. 637 held under Pajakan Mukim No. PM3, Mukim 1, Daerah Seberang Perai Selatan, Pulau Pinang for a purchase consideration of RM150,000 ("**SPA 2**").

The SPA 2 was completed on 17 January 2018, with the title of ownership registered in the name of KBL on 26 February 2018 and issued on 28 February 2018.

- (iii) Baba Eco had on 26 April 2018 entered into the KBL SSA and Era-I SSA with Leong Jyh Wen and Leong Jyahao for the KBL Acquisition and Era-I Acquisition respectively.

The KBL Acquisition and Era-I Acquisition were completed on 31 May 2018.

- (iv) KBL had on 18 May 2018 entered into a shareholders' agreement with Greener Point to regulate their relationship and certain aspects of the affairs of Baba Borneo in trading, marketing and selling of gardening accessories and products including related products as determined by KBL from time to time in Sabah and Sarawak ("**Shareholders' Agreement**").

The salient terms of the Shareholders' Agreement are set out as below:

- (a) The percentage of shareholding of KBL and Greener Point in Baba Borneo shall be 60% and 40% respectively;
- (b) KBL shall procure for the supply of the products to Baba Borneo and grant Baba Borneo the rights to market, sell or distribute or nominate any third party to market, sell or distribute the products within Sabah and Sarawak;
- (c) Greener Point shall take lead in the sales and marketing of the products in Sabah and Sarawak and invest the necessary resources and engage its best efforts to advertise, market, promote and assist Baba Borneo to offer to sell and to sell the products in Sabah and Sarawak;
- (d) KBL and Greener Point are restricted to sell, transfer or dispose of any shares in Baba Borneo held by them pursuant to the restriction in transfer of the shares unless in accordance with the terms and procedures as stated in the Shareholders' Agreement; and

**4. BUSINESS OVERVIEW (CONT'D)**

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- (e) If any party commits a breach of any material term of the Shareholders' Agreement (including but not limited to the warranties and representations therein), or fails to fulfil its undertakings and obligations in the Shareholders' Agreement, and the breach or failure is not remedied by that party within 14 business days of receipt by that party of a written notice from any of the other party requesting that party to remedy the breach, then the non-defaulting party may require the party involved in any of the events of default (as set out in the Shareholders' Agreement) to sell all the shares in Baba Borneo held by the defaulting party to the non-defaulting party, to be determined based on the pricing mechanism as stated in the Shareholders' Agreement.

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#### 4. BUSINESS OVERVIEW (CONT'D)

#### 4.14 MATERIAL PROPERTIES, MACHINERY AND EQUIPMENT

##### 4.14.1 Material properties owned by our Group

As at the LPD, our Group does not own any other landed or immovable property or asset save for the following:

No.	Registered Owner	Title/ Property Address	Description of Property/ Existing Use	Land Size/ Built-up Area	Tenure of Property	Category of Land Use/ Express Conditions or Covenants	Restriction in Interest/ Major Encumbrances	Date of issuance of CF or CCC/ Certificate No./ Issuing Authority
1.	KBL	GM 594, Lot No. 904, Mukim 01, Seberang Perai Selatan, Pulau Pinang	A parcel of land/  Used as Baba Organic Study and Research Farm as disclosed under Section 4.8 above and planted with various types of vegetables	29,310 m <sup>2</sup> /  Nil	Freehold	Nil/  (First Grade)  The land comprised in this title:  (a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Collector's right of way; and	Nil/  Charged to Public Bank Berhad vide Presentation No. 0703SC2004001800 on 20.10.2004	Nil. The Company confirmed that there is no building on this land.

4. BUSINESS OVERVIEW (CONT'D)

No.	Registered Owner	Title/ Property Address	Description of Property/ Existing Use	Land Size/ Built-up Area	Tenure of Property	Category of Land Use/ Express Conditions or Covenants	Restriction in Interest/ Major Encumbrances	Date of issuance of CF or CCC/ Certificate No./ Issuing Authority
						(b) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three years shall revert to the State only if the proprietor for the time being dies without heirs; and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land)		

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Registered Owner	Title/ Property Address	Description of Property/ Existing Use	Land Size/ Built-up Area	Tenure of Property	Category of Land Use/ Express Conditions or Covenants	Restriction in Interest/ Major Encumbrances	Date of issuance of CF or CCC/ Certificate No./ Issuing Authority
2.	KBL	GRN 77781, Lot No. 4417, Mukim 14, Seberang Perai Selatan, Pulau Pinang	An intermediate 2 storey terrace shop/office identified as postal address No. 29, Jalan Bukit Tambun, Taman Tambun Jaya, 14100 Simpang Ampat/  Rented to a third party as child education centre <sup>(1)</sup>	130 m <sup>2</sup> / 260 m <sup>2</sup>	Freehold	Building/  This land shall be used for commercial purpose only	Nil/  Charged to United Overseas Bank (Malaysia) Bhd vide Presentation No. 0799SC2017000466 registered on 12.01.2017	05.01.1999/  1/S/99/  Majlis Perbandaran Seberang Perai ("MPSP")

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Registered Owner	Title/ Property Address	Description of Property/ Existing Use	Land Size/ Built-up Area	Tenure of Property	Category of Land Use/ Express Conditions or Covenants	Restriction in Interest/ Major Encumbrances	Date of issuance of CF or CCC/ Certificate No./ Issuing Authority
3.	KBL	PM 3, Lot No. 637, Mukim 01, Seberang Perai Selatan, Pulau Pinang	A piece of unexpired 99 years lease of land known as Lot No. 637 held under PM 3, Mukim 01, Daerah Seberang Perai Selatan, Pulau Pinang/  An empty land currently unoccupied	7,031 m <sup>2</sup> / Nil	99 years ended on 16.09.2024	Nil/ The State Authority reserves the right to:  (a) all mines, minerals/clay, gravel, sand, stones and underground substances of every description/ under or upon the land/ and making compensation only for actual damage to growing crops, roads, paths, fruit trees or buildings; and  (b) construct roads, drains, sewers, watercourses and lay down electric and telegraph wires or make other public improvements upon and through the land and use same	The lessee may not assign or demise the land in parcels or otherwise than the entirety thereof/  Nil	Nil. The Company confirmed that there is no building on this land.

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Registered Owner	Title/ Property Address	Description of Property/ Existing Use	Land Size/ Built-up Area	Tenure of Property	Category of Land Use/ Express Conditions or Covenants	Restriction in Interest/ Major Encumbrances	Date of issuance of CF or CCC/ Certificate No./ Issuing Authority
4.	KBL	GM 428, Lot No. 841, Mukim 01, Seberang Perai Selatan, Pulau Pinang ("Lot 841")	Erected on Lot 841 are:  (i) 1-storey detached factory annexed with a 2-storey office block (" <b>Building A</b> ")  (ii) 1-storey detached factory (" <b>Building B</b> ")  (iii) 1-storey detached factory (" <b>Building C</b> ")	25,650 m <sup>2</sup> / 7,348 m <sup>2</sup>	Freehold	Nil/  (First Grade)  The land comprised in this title:  (a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the National Land Code or on the creation of a Collector's right of way; and	Nil/  Leased to Tenaga Nasional Berhad vide Presentation No. 0703SC1996000002 registered on 06.12.1996  Charged to Public Bank Berhad vide Presentation No. 0703SC2003000887 registered on 07.07.2003  Charged to Public Bank Berhad vide Presentation No. 0703SC2003000888 registered on 07.07.2003	<b>Building A:</b> 11.12.2003/ 176/S/2003/ MPSP <b>Building B:</b> 11.12.2003/ 176/S/2003/ MPSP <b>Building C:</b> 11.12.2003/ 176/S/2003/ MPSP

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Registered Owner	Title/ Property Address	Description of Property/ Existing Use	Land Size/ Built-up Area	Tenure of Property	Category of Land Use/ Express Conditions or Covenants	Restriction in Interest/ Major Encumbrances	Date of issuance of CF or CCC/ Certificate No./ Issuing Authority
			(iv) 1-storey detached factory <b>("Building D")</b>  (v) 1-storey detached factory <b>("Building E")</b>  Used as office and factories of KBL <sup>(3)</sup>			(b) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than 3 years shall revert to the State only if the proprietor for the time being dies without heirs;  and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land)	Charged to Public Bank Berhad vide Presentation No. 0703SC2004000029 registered on 13.01.2004; and  Charged to Public Bank Berhad vide Presentation No. 0703SC2004001798 registered on 20.10.2004	<b>Building D<sup>(2)</sup></b>  <b>Building E<sup>(2)</sup></b>



#### 4. BUSINESS OVERVIEW (CONT'D)

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Notes:

- (1) *This tenancy is on a rent-free basis as part of our Group's CSR initiative in accordance with the tenancy letter dated 20 April 2018 signed between KBL and Love & Shine Special Needs Children Development Bhd.*
- (2) *In order for KBL to obtain the CF in respect of Building D and E erected on Lot 841, KBL is required to apply for, amongst others, rezoning of Lot 841 and planning approval. The application for rezoning has been approved by Jabatan Perancang Bandar dan Desa Negeri Pulau Pinang ("JPDN") pursuant to the letter dated 26 January 2018 from JPDN. Pursuant thereto, the surveyor had on behalf of KBL submitted the application for water enactment clearance on 18 April 2018.*

*As at the LPD, the application for water enactment clearance is still pending approval. It will take around 3 to 6 months for the approval to be obtained. Upon obtaining the approval, KBL would then proceed to submit the necessary planning applications to MPSP. Upon making the necessary payment and obtaining the approval from MPSP, the CF will be issued by the authority. The estimated time frame to obtain the approval from MPSP is between 12 to 18 months.*

- (3) *The abovementioned properties are occupied as office and factories of KBL, save for Building D and E which are currently used as storage area for planting media and rented to a related party to carry out engineering works respectively. In the event that the CF/CCC is not granted by MPSP for the two buildings, the two buildings would be vacated and our Group would utilise the existing factory compound within Buildings A, B and C for the storage of planting media. The Board does not expect any major impact on our Group's operations should the need to vacate the two buildings arises.*

Save for the above, our Board confirms that the above properties:

- (i) do not breach any of the category land use conditions or permissible land use;
- (ii) have complied with current statutory requirements, land rules, building regulations and environmental rules and regulations; and
- (iii) the existing buildings (except for Building D and E), have been issued with CF/CCC.

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.14.2 Material Machinery and Equipment

The material machinery and equipment used in our business operations are as follows:

No.	Machinery	Usage of Equipment / Machinery	Unit(s)	Original Cost (RM'000)	NBV as at 31 October 2017 (RM'000)
1.	138 Ton Injection Moulding Machine	Used for manufacturing of flower pots	1	112	87
2.	168 Ton Injection Moulding Machine	Used for manufacturing of flower pots	1	118	1
3.	170 Ton Injection Moulding Machine	Used for manufacturing of flower pots	1	211	1
4.	218 Ton Injection Moulding Machine	Used for manufacturing of flower pots	2	380	2
5.	228 Ton Injection Moulding Machine	Used for manufacturing of flower pots	1	157	122
6.	268 Ton Injection Moulding Machine	Used for manufacturing of flower pots	2	280	84
7.	408 Ton Injection Moulding Machine	Used for manufacturing of flower pots	2	454	242
8.	800 Ton Injection Moulding Machine	Used for manufacturing of flower pots	1	430	129
<b>Total</b>			<b>11</b>	<b>2,142</b>	<b>668</b>

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.15 EMPLOYEES

Over the years, we have never experienced major turnover in terms of our employees. The table below shows our Group's total employees for the FYE 2017 and as at the LPD:

	Total Number of Employees		
	FYE 2017		
	Local	Foreign	Total
Directors <sup>^</sup>	1	-	1
Managers	12	-	12
Executives	21	-	21
Clericals	57	-	57
General workers	10	66	76
	<b>101</b>	<b>66</b>	<b>167</b>

	Total Number of Employees		
	As at the LPD		
	Local	Foreign	Total
Directors <sup>^</sup>	3	-	3
Managers	13	-	13
Executives	19	-	19
Clericals	48	-	48
General workers	19	56	75
	<b>102</b>	<b>56</b>	<b>158</b>

Remark

<sup>^</sup> Include only the Directors of the Company. Our Managing Director was classified under the category of "Directors" for the FYE 2017 notwithstanding that he was only appointed to the Board of the Company on 20 June 2018, as he is the existing Director and CEO of our Subsidiaries.

None of our employees belongs to any labour union. Our key management enjoy good working relationship with our employees. As at the LPD:

- (i) our foreign workers possess valid visa; and
- (ii) there is no major industrial dispute pertaining to our employees.

##### 4.16 QUALITY CONTROL MANAGEMENT

We place strong emphasis on the quality of our products and are committed towards ensuring a consistent and reliable supply to our customers. Quality checks are put in place to ensure that our finished products meet the prescribed specifications and quality requirements. We continually seek to uphold the quality of our products, as testified by the fact that the QMS of our subsidiary company, KBL has been able to maintain the ISO 9001 accreditation since year 2000.

##### 4.17 INTERNAL CONTROL SYSTEM

In order to ensure the adequacy and effectiveness of our internal control system, our Company has engaged the Independent Internal Control Consultant to conduct a review. The Board, after taking into consideration the review results by the Independent Internal Control Consultant, is of the opinion that our internal control framework is adequate and operating effectively.

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.18 FUTURE PLANS AND BUSINESS STRATEGIES

###### (i) Expansion of Manufacturing Facilities

One of our Group's immediate future plans involves the expansion of our production facilities at our existing plant on Lot 841, where we intend to adopt a two-pronged approach as explained below:

- Stage 1: Construction of a new production plant comprising a factory, a warehouse, docking bay as well as additional office space on Lot 841; and
- Stage 2: Enhancement to our existing office space and production areas to accommodate new machines and the estimated increase in the number of staff.

Our production and storage capacity would be enhanced upon completion of the abovementioned expansion. We expect the abovementioned expansion to cost approximately RM2.50 million, the completion of which is estimated to be within 24 months.

The table below illustrates the breakdown of the estimated cost for our expansion:

No.	Description	Estimated Cost (RM'000)
1	Preliminaries	70
2	Foundation work (piling)	90
3	Building works	1,590
4	Sanitary and plumbing system	40
5	External civil works including drainage, road and earthwork	370
6	Fire fighting system	90
7	Electrical installation	150
8	Other miscellaneous costs	100
<b>Total Estimated Cost</b>		<b>2,500</b>

We have earmarked approximately RM2.40 million of the proceeds from our Proposed Excluded Issue to fund the abovementioned expansion. The remaining sum would be financed by internally-generated funds and/or external borrowings, to be determined later by our Board.

###### (ii) Enhancement of R&D Activities

We plan to set up a new R&D laboratory to enhance our R&D capability and expand our R&D activities on innovation and development of new products.

We intend to develop and introduce a new series of organic fertilisers and natural pesticides under the name of "Eco-Merchandise". For this purpose, we plan to undertake the following R&D projects:

- (a) We intend to collaborate with local universities or agro-microbial companies for the R&D on competitive microbe strains that can solve various agricultural problems by focusing on soil fertility, crop pests and pathogens;
- (b) We intend to expand the R&D on high-nutrient organic fertilisers that cater specifically for different plant needs; and

**4. BUSINESS OVERVIEW (CONT'D)**

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- (c) We intend to collaborate or partner with integrated pest management companies to implement organic-oriented integrated pest management in crop farms. For this purpose, we plan to conduct R&D on beneficial insects, pheromones, kairomones, mechanical means of pest management and others.

We have earmarked approximately RM0.50 million of the proceeds from our Proposed Excluded Issue to fund the abovementioned enhancement of R&D activities, primarily for the purchase of R&D laboratory and testing equipment.

**(iii) Establishment of physical presence in overseas markets**

For the FYE 2017, export sales accounted for approximately 24.77% of our Group's total revenue.

Our Group intends to further expand our overseas sales and marketing efforts by establishing a physical presence in the neighbouring countries including Thailand, Myanmar, Cambodia and Vietnam. We believe that these markets offer great opportunities for our products, based on our past experience dealing with customers from these countries.

We intend to establish physical presence in Thailand first given its large network of home improvement centres and hypermarkets, by collaborating with a local partner to set up a joint-venture company; before moving onto other neighbouring countries such as Myanmar, Cambodia, and Vietnam.

We have earmarked approximately RM0.50 million of the proceeds from our Proposed Excluded Issue to fund the abovementioned market expansion.

**(iv) Expansion of Product Offerings**

At present, tall size flower pots are primarily made of cement or clay which are typically very heavy and difficult to transport. Therefore, our Group intends to innovate and develop a new series of tall flower pot to resolve these issues.

The new series of tall flower pot to be developed would feature unique detachable design to enable easy assembly and disassembly. This would enable ease of movement, save space as well as lower the cost of transportation. In addition, the new flower pots produced would also be more durable, lightweight and aesthetically suitable for classic or contemporary interior in modern home decorations.

The new series of tall flower pot would also enable us to tap into new markets, both domestically as well as overseas. It would also enable us to meet and capture demands arising from the building management, architectural design and landscaping markets.

We have earmarked approximately RM0.80 million of the proceeds from our Proposed Excluded Issue for the purchase of new moulds, which are necessary for the production of the abovementioned new design tall flower pots.

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## 5. INDUSTRY OVERVIEW

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Date: 13 September 2018

The Board of Directors  
Baba Eco Group Berhad  
1384, Atas Lot 841,  
MK-1, Jalan Tasek, Simpang Ampat,  
14120 Seberang Perai,  
Pulau Pinang, Malaysia.

Dear Sirs,

### Strategic Analysis of the Gardening Supplies Market in Malaysia

Protégé Associates Sdn Bhd (“Protégé Associates”) has prepared this ‘Strategic Analysis of the Gardening Supplies Market in Malaysia’ for Baba Eco Group Berhad (“Baba Eco Group”) in relation to its Proposed Listing on the LEAP Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Tan Chin How is a Director of Protégé Associates. He has 14 years of experience in consulting and market research for multiple industries ranging from manufacturing, information technology, renewable energy, steel, oil and gas, aquaculture to various other sectors. He has also provided his market research expertise to government agencies such as Malaysian Technology Development Corporation Sdn Bhd, Department of Fisheries Malaysia and Malaysian Green Technology Corporation.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.



TAN CHIN HOW  
Director

## 5. INDUSTRY OVERVIEW (CONT'D)



# 1 MALAYSIAN ECONOMIC OVERVIEW

The Malaysian economy registered a 5.9% growth in its real gross domestic product (“GDP”) in 2017 – a faster pace than the 4.2% growth recorded in 2016. The growth of the Malaysian economy was supported by the continued expansion in domestic demand. The Malaysian economy was also boosted by a better external trade performance as exports were spurred by robust demand for manufactured products.

The Malaysian economy is forecast to expand by between 5.5% to 6.0% in 2018. The growth in the Malaysian economy is expected to be anchored again by domestic demand. Private consumption is anticipated to remain supported by wage growth under a stable labour market, coupled with a low interest rate environment to spur spending.

# 2 THE GARDENING SUPPLIES MARKET IN MALAYSIA

## 2.1 INTRODUCTION

Gardening is the practice of growing or cultivating plants including fruits, vegetables, flowers and ornamental plants. Gardening supplies refer to the products used in practising the act of gardening. Gardening supplies encompass a wide variety of tools, equipment, organic and inorganic materials required in the process of plant cultivation, as well as accessories which serve to provide additional aesthetic features to a garden.

The following figure lists out different types of products in the gardening supplies market.

**Figure 1: Types of Gardening Products**

Types	Products
Footwear and clothing	Clogs, gloves, boots
Gardening tools	Pruner, shovel, trowel, spork, hoe, scissors, weeder, rake
Landscaping tools	Weed and root remover, fences, string trimmer, wood chipper and leaf shredder, tiller, chainsaw, leaf collector
Plant supports	Cages, ladders and trellis to support the growth of climbing plants
Planting accessories	Row and plants markers, garden edgings, mulches and mats etc
Pest and disease control	Cloches, crop cage, plant protection tents, pesticides and herbicides etc
Pots and planters	Pots, planters and trays used to contain plants
Raised beds	Raised beds and accessories

## 5. INDUSTRY OVERVIEW (CONT'D)



Types	Products
Seeds	All kinds of seeds for planting
Soils, fertilisers and mulching composite	Potting soil mixes, fertilisers, soil amendments, seed starting soils, various mulching composite etc
Watering and irrigation equipment	Hoses, watering cans, rain barrel, sprinkler system, spray gun, hose water meters and hose trolleys etc
Yard and garden decoration	Wind spinner, sculptures, stepping stones, chimes, fountains and statues etc

Source: Protégé Associates

*Baba Eco Group is involved in the gardening supplies market in Malaysia with a focus on the manufacture and sales of pots and planters. As such, the remainder of this section provides a brief introduction to the pots and planters in Malaysia.*

In Malaysia, there is a variety of pots and planters' selections which vary in terms of size, colour and materials. The conventional types of raw materials used to make the pots and planters are terracotta, plastic, ceramic, fibreglass and resin, and metal. Each material possesses different characteristics and comes in different price level. The following figure lists out the conventional raw materials used in the manufacture of pots and planters.

**Figure 2: Conventional Types of Raw Materials for Pots and Planters**

Materials	Characteristics
Terracotta	<ul style="list-style-type: none"> <li>• A type of clay in warm reddish brown colour</li> <li>• Comes in various sizes and shapes</li> <li>• A popular choice for indoor and outdoor use</li> <li>• Fragile and permeable, requiring more watering for plants</li> </ul>
Plastic	<ul style="list-style-type: none"> <li>• Light in weight, durable and economically viable, making it a popular choice among nurseries and commercial growers</li> <li>• Comes in various thickness, sizes and shapes</li> <li>• Durability of plastic pots varies depending on the material thickness</li> </ul>
Ceramic	<ul style="list-style-type: none"> <li>• Made of light-coloured clay and glazed during the production process</li> <li>• Available in a variety of size, colour and designs</li> <li>• Heavy in weight, thus suitable for plants of larger size</li> <li>• Vulnerable to cold weather</li> </ul>
Fibreglass and resin	<ul style="list-style-type: none"> <li>• Created from a blend of resin and glass fibres, and moulded to look like terracotta</li> <li>• Lightweight and durable</li> <li>• Weatherproof</li> </ul>
Metal	<ul style="list-style-type: none"> <li>• Including case iron, aluminium, copper-coated stainless steel, zinc, lead and copper</li> <li>• Extremely durable</li> <li>• Aluminium is the popular choice among the metal due to its lightweight, making planting and moving of pots more practical</li> </ul>

Source: Protégé Associates



## 5. INDUSTRY OVERVIEW (CONT'D)



End-consumers of pots and planters typically make their purchase decision based on their utility, budgets and consideration on product lifespan. As environmental awareness increases, consumers are also considering the environmental impact of the materials in making their purchase decisions. This has accordingly led to the development and production of pots and planters that are environmental-friendly using recycled or biodegradable materials, such as biodegradable plastics, pressed paper and fibre. The following figure details some of the environmental-friendly materials used to produce pots and planters.

**Figure 3: Environmental-friendly Materials for Pots and Planters**

Materials	Characteristics
Biodegradable plastics	<ul style="list-style-type: none"> <li>• Made of plastic that can be decomposed naturally in the environment</li> <li>• Durable and easy to handle</li> </ul>
Pressed paper	<ul style="list-style-type: none"> <li>• Made of recycled paper</li> <li>• Biodegradable and economical</li> <li>• Allows plants to breathe well to promote root growth and improve aeration</li> <li>• Short lifespan and requires replacement every year</li> </ul>
Fibre	<ul style="list-style-type: none"> <li>• Consists of coir (coconut fibre extracted from the husk of coconut), wood fibre or peat</li> <li>• Biodegradable and economical</li> <li>• Sturdier than pressed paper in terms of structure</li> <li>• Allows plants to breathe well to promote root growth and improve aeration</li> </ul>

Source: Protégé Associates

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5. INDUSTRY OVERVIEW (CONT'D)

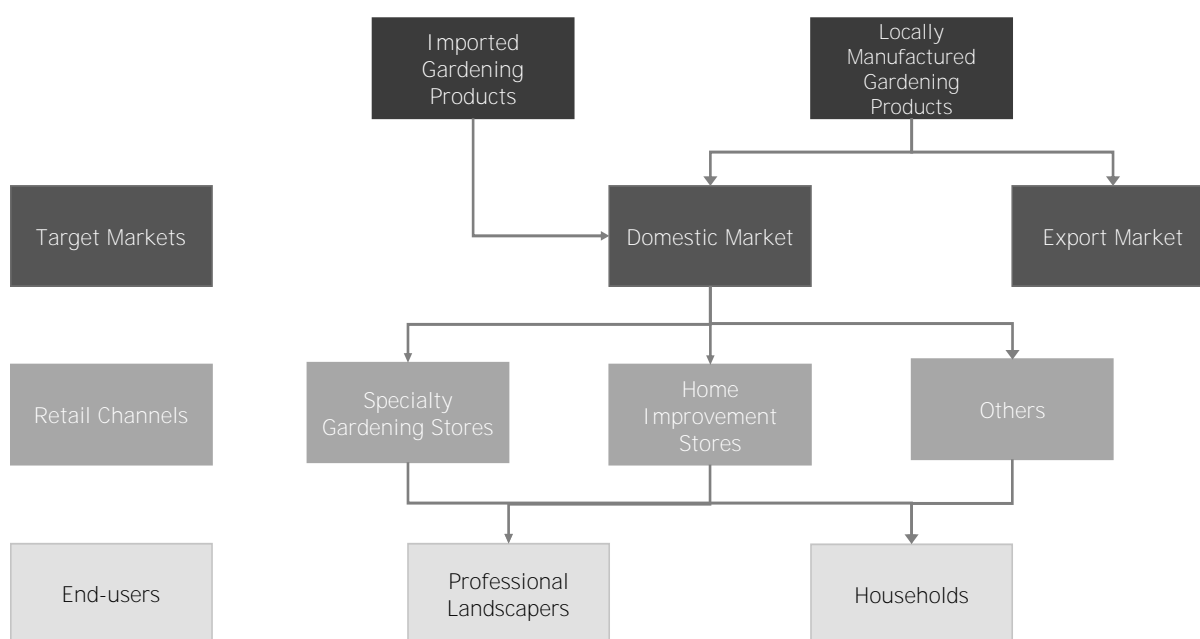


2.2 DISTRIBUTION LANDSCAPE

The gardening supplies market in Malaysia constitutes locally produced and imported products, while local productions are also exported to overseas markets. In the domestic market, gardening supplies are supplied to the end-consumers through various retail channels, notably specialty gardening stores and home improvement stores.

The following figure depicts the distribution landscape of gardening supplies in Malaysia.

Figure 4: Distribution Landscape of Gardening Supplies Market in Malaysia



Source: Protégé Associates

Target Markets

Gardening supplies available in the domestic market are sourced from both local productions as well as imported. Locally-produced gardening products are also exported to overseas market.

Retail Channels

Specialty gardening stores refer to retail operations selling gardening supplies for domestic garden. These specialty gardening stores often operate as plant nurseries in order to supplement to the gardening need of end-consumers.

Home improvement stores are stores retailing a broad range of do-it-yourself (DIY) products, including but are not limited to hardware, tools, furniture and furnishings, as well as gardening supplies, for the purpose of improving one’s living environment.

## 5. INDUSTRY OVERVIEW (CONT'D)

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Other retail channels include hypermarkets as well as online marketplaces which act as a platform connecting sellers with consumers. Brick and mortar stores selling gardening supplies may also market their products to potential customers through online marketplaces, which serve as an alternate marketing channel to reach out to more potential customers. Renowned brands with high level of consumer loyalty have also created their own online platform to market and sell their products.

### End-users

An end-user is the person/entity that ultimately consumes and utilises the product. End-users of gardening supplies can be segregated into two broad categories, namely professional landscapers and household consumers.

These end-users are described as follow:

Professional landscapers – These are the entities and personnel involved in the provision of landscaping services for commercial buildings, gardens and parks, as well as residential buildings. Professional landscapers include architects involved in the landscape design for a designated area, as well as contractors who procure the materials and construct the designated landscape in accordance to the design. These materials comprise mainly gardening tools, landscaping tools, plant supports, planting accessories, pest and disease control, pots and planters, raised beds, soils, fertilisers and mulching composite, watering and irrigation equipment, as well as yard and garden decoration.

Household consumers – Households consumer represent another major user of gardening supply. This group of end-users generally practises the art of gardening as a recreational activity which ultimately improves the environment of their living quarters. Gardening products that are mainly procured by the household consumers include footwear and clothing, gardening tools, planting accessories, pest and disease control, pots and planters, seeds, soils, fertilisers and mulching composite as well as watering and irrigation equipment.

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## 5. INDUSTRY OVERVIEW (CONT'D)



### 2.3 HISTORICAL MARKET PERFORMANCE AND GROWTH FORECAST

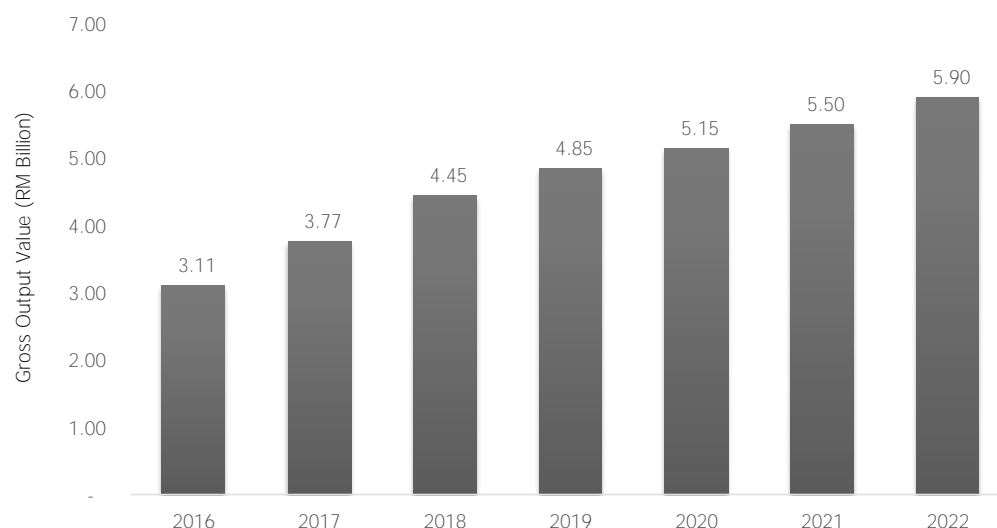
Due to the diverse nature of the gardening supplies market as represented by the huge and varied gardening products, along with multiple retail channels and fragmented types of market participants serving the gardening supplies market, the market size of the gardening supplies market is not readily available.

The gardening supplies market is mainly driven as a result of the demand created from the landscaping industry and household practising gardening as a recreational activity. As such, the performance of the landscaping industry and household spending on gardening are used to provide an assessment of the market performance of the gardening supplies market in Malaysia.

#### Landscaping Industry

In 2016, the gross output value of the landscape activities and building services in Malaysia was estimated at RM3.11 billion. The gross output value is estimated to grow to RM3.77 billion in 2017. Growth was mainly driven by a growing number of properties in Malaysia that led to a higher need for landscape activities and facilities support. Figure 5 below depicts the historical and forecast gross output value of the landscape activities and building services in Malaysia.

**Figure 5: Historical and Forecast Gross Output Value of the Landscape Activities and Building Services in Malaysia, 2016-2022**



CAGR (2018 – 2022) (base year of 2017): 9.4%

#### Notes:

1. Gross output value refers to the market value of goods and services produced by an industry.
2. Landscape activities and building services include combined facilities support activities, cleaning activities as well as landscape activities encompassing planting, care and maintenance of parks and gardens, greenery for buildings (roof gardens, facade greenery and indoor gardens), greenery for sports grounds, greenery for stationary and flowing water, landscape activities to maintain the agricultural and ecological condition, as well as minor incidental design and construction services.
3. All figures are rounded.

Source: Department of Statistics Malaysia and Protégé Associates

## 5. INDUSTRY OVERVIEW (CONT'D)



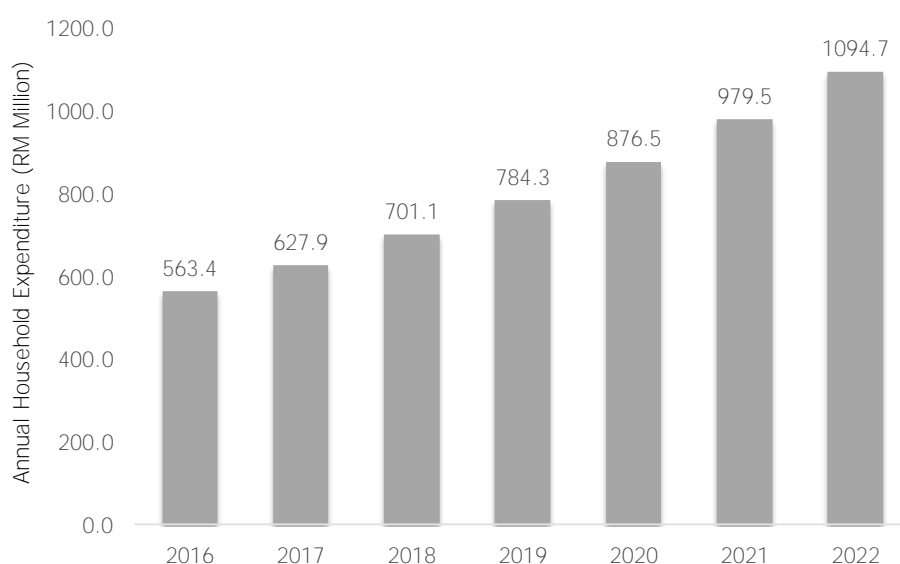
Moving forward, the gross output value of the landscape activities and building services in Malaysia is projected to expand from RM3.77 billion in 2017 to RM5.90 billion in 2022, representing a compound annual growth rate (“CAGR”) of 9.4% throughout the said period. Factors driving the market growth are expected to come from an increasing number of properties in Malaysia to stimulate more demand for professional landscaping services. Gardening supplies being an essential part of the landscape activities is likely to witness increase in demand accordingly.

### Household Expenditure on Gardening Activities

In 2016, annual household expenditure on gardening activities stood at RM563.4 million. The value was estimated to rise to RM627.9 million in 2017. Growth was mainly driven by an increasing number of household, which in turn sees a higher number of household practising gardening as a recreational activity.

Other growth factor is expected to come from a higher spending by household on recreational services and culture which include gardening. According to the Department of Statistics Malaysia, average household expenditure on recreational services and culture has expanded from RM174 per month in 2014 to close to RM200 per month in 2016, indicating higher willingness by household to spend on recreational activities including gardening.

**Figure 6: Historical and Forecast Annual Household Expenditure on Gardening**



*CAGR (2018 – 2022) (base year of 2017): 11.8%*

*Note: Household expenditure on gardening include spending on garden, plants and flowers.*

*Source: Department of Statistics Malaysia and Protégé Associates*

Protégé Associates expects the household expenditure on gardening to grow moving forward along with an increase in the number of household. The annual household expenditure on gardening is projected to expand from RM627.9 million in 2017 to RM1,094.7 million in 2022, representing a CAGR of 11.8% throughout the said period.

## 5. INDUSTRY OVERVIEW (CONT'D)



### 2.4 COMPETITIVE ANALYSIS

The gardening supplies market in Malaysia is highly fragmented due to the diverse product types and range which in turn involves different production processes as well as skills and expertise. For instance, plastic pots and planters are produced through moulding process while landscaping tools such as chainsaws are powered equipment that requires mechanical and electrical knowledge in the manufacturing process. In addition, the different kind of products and materials used also dictates different production techniques and machineries. As such, it is impossible to have a sole producer manufacturing all kinds of gardening supplies due to dissimilar production processes.

Within the pots and planters manufacturing segment, it comprises market players producing pots and planters using all kinds of materials, among others, clay, ceramic and plastic. There are also manufacturers that focus their efforts on formulating new materials to produce planting pots. An example would be Greenyard Berhad, a public listed company on the Main Market of Bursa Malaysia Securities Berhad that manufacture artstone and artcera planting pots using proprietary formulated materials and production process.

Baba Eco Group is principally involved in the gardening supplies market as a manufacturer of plastic pots and planters. For the purpose of this study, Protégé Associates has narrowed down the research scope to focus on the manufacturers of pots and planters using plastic.

#### 2.4.1 Manufacturing of Plastic Pots and Planters

The manufacturing process of plastic pots and planters is more capital-intensive and complex as compared to clay and ceramic, mainly due to the need to invest in various machineries and equipment such as plastic moulding and injection machineries, as well as the technical know-how to operate these machineries to achieve the desired product quality. Leveraging on the manufacturing capabilities, these manufacturers generally have a wide product portfolio in order to maximise their investment returns. Other than pots and planters, these manufacturers also produce plastic articles for packing purpose, such as household plastic product and crates, while some also manufacture furniture and electrical and electronic components. In Malaysia, there are around 600 to 700 market players involved in the manufacturing of plastic articles for packing purpose, including pots and planters, plastic products for households, crates and other products that can be produced using similar plastic moulding and injection process.

The following figure lists out the key market players that manufacture plastic pots and planters, together with a comparison on their product portfolios.

**Figure 7: Comparison of Key Market Players' Product Portfolios**

Company	Gardening Supplies	Plastic Household Products	Others
Auxpoint Industries Sdn Bhd ("Auxpoint Industries")	✓	✓	
Chye Plastic Industry Sdn Bhd	✓	✓	✓
Clover Plastic (M) Sdn Bhd ("Clover Plastic")	✓	✓	
CSK Plastic Industries Sdn Bhd ("CSK Plastic Industries")	✓	✓	✓

## 5. INDUSTRY OVERVIEW (CONT'D)



Company	Gardening Supplies	Plastic Household Products	Others
Ee-lian Enterprise (M) Sdn Bhd	✓	✓	
Ferdelite Sdn Bhd	✓	✓	✓
Gafri Enterprise Sdn Bhd ("Gafri Enterprise")	✓		
Guppy Plastic Industries Sdn Bhd	✓	✓	✓
Baba Eco Group	✓		
LS Lipson Industries & Trading Sdn Bhd	✓		
Ngai Ming Plastic Industries (M) Sdn Bhd	✓		✓

*Note: Others include heavy duty industrial basket, furniture, electrical and electronic components, pharmaceutical components and other industrial components.*

*Source: Protégé Associates*

Baba Eco Group is principally involved in the gardening supplies market as a manufacturer of plastic pots and planters. In addition, it also supplies a variety of gardening tools and accessories to complement the gardening need of its customers. For its financial year ended ("FYE") 31 October 2017, Baba Eco Group recorded a turnover of RM25.4 million.

For the purpose of comparison, Protégé Associates has selected the following key market players that are comparable to Baba Eco Group, based on the following selection criteria:

- (i) Established in Malaysia;
- (ii) Involved in the manufacturing of plastic pots and planters; and
- (iii) Recorded a turnover of RM5 million to RM30 million.

The selected key market players for comparison are Auxpoint Industries, Clover Plastic, CSK Plastic Industries and Gafri Enterprise. The following figure details the information of the selected key market players.

## 5. INDUSTRY OVERVIEW (CONT'D)



**Figure 8: Information of Selected Key Market Players**

Company	Description
Auxpoint Industries	<ul style="list-style-type: none"> <li>Incorporated in Malaysia on 7 June 1999.</li> <li>Formerly known as Oxpoint Industries Sdn Bhd and assumed current name on 17 July 1999.</li> <li>Principally involved in the manufacturing and assembling of plastic parts and components.</li> <li>Product portfolio include cups, tumblers, drawers, chairs, baskets, trays, dustbins, hangers, flower pots, fences, multi-purpose racks, etc.</li> </ul>
Clover Plastic	<ul style="list-style-type: none"> <li>Incorporated in Malaysia on 12 July 1990.</li> <li>Formerly known as Clover Chemical (M) Sdn Bhd and assumed current name on 20 May 2011.</li> <li>Principally involved in the manufacturing and marketing of plastic products.</li> <li>Product portfolio include cabinets, collapsible boxes, outdoor tableware, desk organiser, storages and containers, flower pots, garden fences, etc.</li> </ul>
CSK Plastic Industries	<ul style="list-style-type: none"> <li>Incorporated in Malaysia on 14 July 2001.</li> <li>Formerly known as CSK Enterprise Sdn Bhd and assumed current name on 19 January 2007.</li> <li>Principally involved in the manufacturing of plastic products.</li> <li>Product portfolio include tables, chairs, containers, baskets, trays, wheelbarrows, liquid funnels, dish covers, basins, pails, flower pots, etc.</li> </ul>
Gafri Enterprise	<ul style="list-style-type: none"> <li>Incorporated in Malaysia on 24 October 2003</li> <li>Principally involved in the production of organic compost and fertilisers, manufacturing of plastic gardening products, and supply of other gardening products.</li> <li>Product portfolio include pot stands, flower pots, fertilisers, iron pot stands, saucers, soils, etc.</li> </ul>

Source: Companies Commission of Malaysia and Protégé Associates

The following figure lists out the comparison between the selected market players and Baba Eco Group.

**Figure 9: Comparison between Selected Market Players and Baba Eco Group**

Company	Auxpoint Industries	Clover Plastic	CSK Plastic Industries	Baba Eco Group	Gafri Enterprise
Financial Year Ended	31.12.2016	30.09.2017	31.12.2016	31.10.2017	31.12.2016
Revenue (RM)	6,179,146	13,337,905	26,883,962	25,416,438	5,055,188
Profit before Tax ("PBT") (RM)	325,369	1,413,130	5,218,200	4,295,764	182,301
PBT Margin (%)	5.3	10.6	19.4	16.9	3.6
Profit after Tax ("PAT") (RM)	223,293	1,412,330	4,065,407	3,394,881	123,926
PAT Margin (%)	3.6	10.6	15.1	13.4	2.5



## 5. INDUSTRY OVERVIEW (CONT'D)



### Notes:

1. *The list of market players is not exhaustive, and is arranged alphabetically and does not constitute as a ranking;*
2. *The above figure only provides an indication and is not considered directly comparable due to the following reasons:*
  - (a) *Not all market players have the same financial year end;*
  - (b) *The financial figures may be at the group level; and*
  - (c) *Not all companies carry out activities that are completely similar to each other or in the same geographical area.*

*Source: Companies Commission of Malaysia, Baba Eco Group and Protégé Associates*

## 2.5 DEMAND AND SUPPLY CONDITIONS

Demand and supply conditions refer to market factors that can positively or negatively affect future market size and growth by specifically altering demand or supply dynamics. These demand and supply factors can include trends, key developments or events that spur market expansion, leading to increases in sales or revenues, or developments that negatively affect market growth.

### 2.5.1 Demand Conditions

The following factors represent key trends, developments and events influencing market demand of the gardening supplies market in Malaysia.

#### The Practice of Gardening as a Hobby among the Households

A main source of demand for gardening supplies streams from the Malaysian households practising gardening as a hobby. There are plenty reasons of having gardening as a hobby. First of all, gardening is an activity that allows household to break away from daily routine and relax their minds as it requires one's concentration throughout the planting process. Furthermore, it provides the planter the joy of achievement upon harvesting.

Gardening also provides the opportunities for family bonding. It is a great outdoor activity to be conducted together with family members. Throughout the planting and harvesting process, children are able to get closer to the nature, and to learn more about plants, fruits and vegetables.

Other benefit of practising gardening as a hobby can be attributed to having organic produce at home. By handling the planting and harvesting on their own, households can ensure the quality and freshness of the produce. As such, demand for gardening supplies is expected to be buoyant in line with the benefit of practising gardening as a hobby among the households.

#### Demand for Professional Landscaping Services in the Residential Sector

Another key demand factor for gardening supplies comes from the professional landscapers. Demand for professional landscaping services spurs the need for various hardscape elements such as gravel, paving and stones, as well as softscape elements, mainly horticultural components such as flowers, trees, shrubs, groundcovers etc. Accordingly, it translates into demand for gardening supplies.

## 5. INDUSTRY OVERVIEW (CONT'D)



In Malaysia, the federal government has been drawing their attention on ensuring sufficient green spaces in property development. In this context, the federal government has formulated the Planning Standards and Guidelines for Open Space and Recreational Area to ensure the availability of open spaces in every housing scheme. Enforced by the local authority within the respective administration areas, the said guideline outlines the requirement of having a 10.0% provision for public open space which may include garden, park, sports and recreational ground or pleasure ground, in every residential development.

The implementation of such guideline has been a main driver for demand of professional landscaping services to design and construct landscaping, and to provide maintenance and upkeep services thereafter. As such, demand for professional landscaping services is set to grow as number of residential properties increases, thus leading to more demand for gardening supplies.

### **Sustainable Economic Growth to Support Landscaping Spending in Commercial Sector**

On top of residential properties, these professional landscapers also provide their services to the commercial properties, mainly to improve aesthetic features of the properties by incorporating landscape elements.

Landscaping spending in the commercial sector is discretionary in nature and its demand is impacted by the general economic condition in the country. During good economic period, business entities generally attain greater financial resources, providing them with greater propensity to spend on non-operating expenses, among others, implementing new landscaping projects or resuming landscaping repair and maintenance projects that were previously put on hold. Accordingly, this leads to more demand for professional landscaping services, thus leading to higher demand for gardening supplies.

Malaysia's real GDP expanded by 5.9% in 2017, supported by the continued expansion in domestic demand. Going forward, the Malaysian economy is forecast to expand by between 5.5% to 6.0% in 2018. It is expected that the commercial sector to attain better financial resources and in turn, exhibiting growth in expenditure on discretionary items and services, including landscaping. Hence, the gardening supplies market stands to benefit from the increase in demand for landscaping.

## **2.5.2 Supply Conditions**

The following factors represent key trends, developments and events influencing the gardening supplies in Malaysia.

### **Expansion in the Distribution Channels**

The Internet age has allowed the virtualisation of many physical functions. Functions that have been carried out physically in the past are increasingly being replaced by virtual functions. A clear example would be the development of electronic commerce ("E-commerce"), where consumers are able to make their purchases online without visiting a brick-and-mortar store.

The E-commerce development provides an alternate distribution channel to the gardening supplies market in Malaysia. To ride on the bandwagon, manufacturers and retailers may create their own websites to drive online sales or place their products on the e-commerce platforms. Such development allows the market players to reach out to more consumers without limitation on boundaries, and accordingly may translate into higher demand for their products.

## 5. INDUSTRY OVERVIEW (CONT'D)

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### **Continuous Marketing and Product Development Efforts by Local Manufacturers**

The gardening supplies market in Malaysia is currently at its mature stage, with its market growth mainly driven by continuous marketing efforts by the market participants to promote gardening as hobby. These marketing campaigns aim to educate and coach the general population on the proper way of cultivating plants. Campaign participants are able to enjoy the fun of gardening and accordingly, picking up gardening as hobby.

Another significant effort undertaken by the local manufacturers include their continuous research and development activities to enhance their products and to create new products that meet the demand of end-users. A significant result of the research and development activities undertaken by the manufacturers attributes to the development of biodegradable pots that are able to decompose naturally in soil. New and innovative products are anticipated to gain more interest from end-users to purchase, hence contributing to greater revenue from enlarged sales in the gardening supplies market.

## **2.6 PROSPECT AND OUTLOOK OF THE GARDENING SUPPLIES MARKET IN MALAYSIA**

Moving forward, the gardening supplies market in Malaysia is projected to grow throughout the period of 2018 to 2022. Factors priming the growth are expected to come from the practising of gardening as a recreational hobby among the households, demand for professional landscaping services in the residential sector, as well as sustainable economic growth to support landscaping spending in the commercial sector. In terms of supply, the development of E-commerce allows the market players to reach out to their potential customers through online marketplaces or establishing their own website for online sales, which is expected to translate into higher demand in the long run. Furthermore, market players in the gardening supplies market are investing their efforts in various marketing campaigns to promote the proper gardening method, and in developing products that suit the need of their users.

Protégé Associates has projected the gross output value of the landscape activities and building services in Malaysia to expand by a CAGR of 9.4% from RM3.77 billion in 2017 to RM5.90 billion in 2022. Furthermore, the annual household expenditure on gardening is projected to grow by a CAGR of 11.8% from RM627.9 million in 2017 to RM1,094.7 million in 2022. Accordingly, the gardening supplies market in Malaysia is poised to grow moving forward in tandem with the growth of landscaping industry and higher expenditure on gardening by the households.

## 6. RISK FACTORS

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**YOU SHOULD CAREFULLY CONSIDER, ALONG WITH OTHER MATTERS IN THIS INFORMATION MEMORANDUM, THE RISK FACTORS SET OUT BELOW.**

### 6.1 RISKS RELATING TO OUR BUSINESS OPERATIONS AND THE INDUSTRY IN WHICH OUR GROUP OPERATES

#### 6.1.1 We are reliant on our Directors and key management team

Our success can be attributed to the leadership of our Directors and key management team led by Mr. Leong Jyh Wen. We believe that our continued and future success is therefore dependent on our ability to retain our key management personnel, who are responsible for formulating and implementing our business strategies, business development and daily management and operations. Continuous loss of key management personnel within a short time frame may have an adverse impact on our Group's operations.

We recognise the importance of retaining key management personnel while at the same time attracting new people to strengthen our team. Our Group has put in place human resource strategies that include competitive compensation packages, career development opportunities as well as training and development activities for our employees. We engage consultants in different field to provide consultations and trainings to nurture future successors in each department.

Notwithstanding our efforts above, there can be no assurance that we will be able to retain our key management personnel as well as our skilled and qualified personnel or ensure smooth management succession plan.

#### 6.1.2 We are exposed to disruption of raw material supplies

The main raw materials required for our manufacturing activities are plastic resins. Hence, we are dependent on the supply of such raw materials which we source from several suppliers with whom we have established good business relationship. Our good business relationship with our suppliers, coupled with the availability of alternative suppliers in the market, have benefited us prompt supply of raw materials at competitive rates in the past.

Notwithstanding that, our Group remains exposed to the risk of adverse fluctuations in raw material costs. While our Group has not experienced any material disruption of supply in the history of our business, there can be no assurance that our Group will be able to continue procuring raw material supplies based on existing terms. Any supply problems such as significant increase in price or delay in delivery may materially and adversely affect our Group's business, operating results and financial condition.

#### 6.1.3 We are subject to workplace hazards and potential claims

Our factory workers are exposed to potential work hazards such as bodily injuries or loss of life due to accidents in the workplace. These undesirable events, if occur, may have a material impact on our operations and cause low morale among workers. We are also exposed to the risk of loss and damage to our assets arising from theft, accidents or improper use.

We have procured insurance coverage to mitigate the adverse impact should the abovementioned accidents occur. Nonetheless, there can be no assurance that our insurance coverage is sufficient to fully cover the losses and claims.

## 6. RISK FACTORS (CONT'D)

### 6.1.4 We are exposed to credit risks

Our credit terms to our customers range from 14 to 120 days. Accordingly, we are exposed to the risk of default by our customers. We may experience delays in payment from our customers, or in more severe cases, we may not be able to collect payments from our customers. In the event of payment defaults, we would have to impair or write-off the debts, which will have an adverse impact on our profitability.

In mitigating our exposure to credit risks, we will assess the financial and credit worthiness of prospective customers prior to trading with them on credit term whilst for the existing customers, we maintain close contact with them and will assess and review their credit worthiness periodically. In addition, we regularly review our trade receivables' ageing and monitor subsequent collection of debts. In situations where our customer is unable to adhere to the agreed credit terms, we will follow up with them to ascertain the reason(s) for the delay and negotiate an appropriate settlement schedule. Should the negotiation fails, we will cease our sales to the customer and initiate legal actions or proceedings to recover the amount owed to us by the customer. We have not experienced any instances of significant bad debts in the past and as at the LPD.

### 6.1.5 We are exposed to fluctuations in the foreign exchange rates arising from our exports to overseas

For the FYE 2017, export sales accounted for approximately 24.77% of our Group's total revenue, which were primarily denominated in USD and SGD. Our results for the FYE 2017 were not adversely affected by foreign exchange fluctuations as the movements in exchange rate between RM against USD and SGD during the FYE 2017 were generally favourable to our Group as illustrated below:

	USD/RM		SGD/RM	
	Quarterly Average <sup>(1)</sup>	Movement <sup>(2)</sup>	Quarterly Average <sup>(1)</sup>	Movement <sup>(2)</sup>
Exchange rate at beginning of the financial year (1 November 2016)	4.1875	-	3.0107	-
Quarter 1 (November 2016 – January 2017)	4.4160	+5.46%	3.0995	+2.95%
Quarter 2 (February 2017 – April 2017)	4.4292	+5.77%	3.1499	+4.62%
Quarter 3 (May 2017 – July 2017)	4.2940	+2.54%	3.1044	+3.11%
Quarter 4 (August 2017 – October 2017)	4.2425	+1.31%	3.1252	+3.80%

## 6. RISK FACTORS (CONT'D)

### Notes:

- (1) *Derived based on the middle rate of the daily exchange rates published by Bank Negara Malaysia for the respective currencies.*
- (2) *Calculated by comparing the quarterly average exchange rates against the exchange rate at beginning of the financial year (as at 1 November 2016) of the respective currencies.*

Despite the favourable movements during the FYE 2017, any significant and/or prolonged weakening of USD or SGD against RM in the future may have a material and adverse impact on our results. To mitigate the risk, we constantly monitor the fluctuations in exchange rates and will take steps through appropriate hedging instruments(s) to minimise the effect of foreign exchange on our Group, should the need arises.

### 6.1.6 Potential liability arising from lawsuit

Our subsidiary company, KBL, is currently engaged in a lawsuit with Tenaga Nasional Berhad (“TNB”) whereby TNB is claiming a total sum of RM511,635.44 against KBL. Further details on the lawsuit are outlined in Section 11.3 of this Information Memorandum.

No provision was made for the FYE 2017 as our solicitor is of the opinion that the outcome of the lawsuit may be favourable to KBL as, amongst others, TNB had not issued a valid statutory notice in accordance with Section 38(4) of the Electricity Supply Act 1990 which is a condition precedent prior to TNB commencing any legal suit against KBL.

In the event that the verdict by the court of competent jurisdiction is unfavourable to KBL, we will be liable to pay the ordered compensation sum which will have an adverse impact on our financial performance, financial position and cash flows. For illustrative purpose only, assuming we are liable to pay the sum claimed by TNB, the impact on our financial results for the FYE 2017 are as follows:

	<b>RM'000</b>
<b><u>Impact on financial performance</u></b>	
Audited combined PAT for the FYE 2017	3,395
Less: Assumed losses arising from the lawsuit	(512)
Adjusted combined PAT for the FYE 2017	2,883
<b><u>Impact on financial position</u></b>	
Audited combined NA as at 31 October 2017	19,722
Less: Assumed losses arising from the lawsuit	(512)
Adjusted combined NA as at 31 October 2017	19,210
<b><u>Impact on cash flows position</u></b>	
Audited combined cash and cash equivalents as at 31 October 2017	6,554
Less: Assumed outflows arising from the lawsuit	(512)
Adjusted combined cash and cash equivalents as at 31 October 2017	6,042

## 6. RISK FACTORS (CONT'D)

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### 6.1.7 We are dependent on supply of foreign workers

Our operations are dependent on the supply of foreign workers. As at the LPD, we have 158 employees, of which 56 or approximately 35.44% of our total employees are foreign workers, mainly from Myanmar and Nepal. As such, inadequate supply of foreign workers as well as revision in policy in relation to hiring of foreign workers by the Malaysian Government may disrupt our operations resulting in an adverse impact on our financial performance.

As part of our efforts to manage our dependency on our foreign workers, we work closely with our recruitment agencies for the recruitment and renewal of work permits for the foreign workers. To date, we have not experienced any material adverse effect on our operations as a result of shortage in the supply of foreign workers for our operations nor were there any interruptions in our operations during the past 12 months due to shortage of foreign workers.

We can also resort to hiring local workers in the event of prolonged shortage of supply of foreign workers. However, if such situation occurs, our profitability may be affected as the employment costs of local workers are likely to be higher as compared to that of the foreign workers.

### 6.1.8 We do not have any long-term contracts with our customers

We do not have any long-term contracts with our customers which is a norm in the industry. Nevertheless, we have not experienced any material adverse effect on our financial performance due to the absence of long term contracts in the past.

Over the years, we have established a good brand reputation in the market and a diversified customer base with no significant dependency on individual customer. We always strive to maintain good business relationship with our customers and have been continually improving our product quality and expanding our product range to accommodate the changing market demands. Nevertheless, there can be no assurance that our customers will continue to order from us in the future.

### 6.1.9 We are exposed to political, economic and regulatory risks

Common to business entities, adverse developments in the political, economic and regulatory conditions in Malaysia could materially and adversely affect our financial results and business prospects. These risks include, amongst others, changes in political leadership, changes in interest rates, changes in methods and rates of taxation, changes in government policies such as introduction of new regulations, import duties and tariffs, war and terrorism activities, riots, expropriations and nationalisation.

Whilst we strive to continue to adopt effective measures such as prudent management and efficient operating procedures to mitigate the risks, there can be no assurance that any adverse changes to the political, economic and regulatory factors which are beyond our control, will not materially affect our operations, financial performance and future prospects.

### 6.1.10 We are exposed to competition risk

The gardening supplies industry in Malaysia is competitive and fragmented in nature and is participated by companies of various sizes ranging from small firms to large group of companies. These players may possess greater resources in terms of better financial standing and manpower or specialised set of skills/expertise or wider range of products.

## 6. RISK FACTORS (CONT'D)

Nevertheless, there are barriers of entry to new players due to the high capital investments required to acquire the related machinery and equipment as well as the time required to accumulate in-depth understanding of the market.

We have not experienced any material adverse impact on our financial performance due to competitions from other industry players in the past. However, there can be no assurance that we will be able to compete effectively in the future.

### 6.2 RISKS RELATING TO INVESTMENT IN OUR SHARES

#### 6.2.1 No prior market for our Shares and possible volatility of our share price

There is no prior market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Proposed Listing or if developed, that such market will be sustained.

In addition, our Shares could trade at prices that may be lower than the Issue Price of RM0.13 per Share as a result of many factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These include, amongst others, prevailing global and local economic conditions, the depth and liquidity of the market for our Shares and investors' individual perceptions of our Group.

#### 6.2.2 Control by our Promoters may limit your ability to influence the outcome of matters requiring approval of our shareholders

Upon the Proposed Listing, our Promoters will collectively hold approximately 82.93% of our enlarged issued share capital. As a result, they will still be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as exert significant influence on the outcome of certain matters requiring the approval of our shareholders, unless they are required to abstain from voting by law and/or as required by the relevant authorities.

Nevertheless, our Group will be governed by the Listing Requirements upon our Proposed Listing and is bound to ensure any future transactions involving related parties are entered into on an arm's length basis and 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. The Board will continue to be guided by WYNCORP as the Continuing Adviser subsequent to our Proposed Listing.

#### 6.2.3 Delay in our Proposed Listing or our Proposed Listing may be aborted

Our Proposed Listing may be delayed or aborted on the occurrence of any one or more of the following events:

- (i) we are unable to meet the public shareholding spread requirement as stipulated by the Listing Requirements, whereby at least 10% of our enlarged issued share capital for which the Proposed Listing is sought shall be held by public shareholders;
- (ii) the revocation of approvals from the relevant authority for our Proposed Listing and/or admission to the Official List of the LEAP Market for whatever reason; and
- (iii) the occurrence of any force majeure events, which are beyond our control, before our Proposed Listing.



## 6. RISK FACTORS (CONT'D)

Although we will endeavour to comply with the regulatory requirements for successful implementation of our Proposed Listing, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of our Proposed Listing.

In the event that our Proposed Listing does not take place within 6 months from the date of approval by Bursa Securities for our Proposed Listing on the LEAP Market (or such further extension of time as Bursa Securities may allow) or we abort the Proposed Listing on the LEAP Market, Sophisticated Investors will not receive any Shares but we will return in full, without interest, all monies paid in respect of any application for our Shares within 14 days and 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.

In the event that our Proposed Listing is aborted and/or terminated and our Shares have been allotted to the shareholders, a return of monies to all of our shareholders could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation may be carried out in one of the following manner:

- (i) By a special resolution of our shareholders in the general meeting, together with consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation by the the High Court of Malaysia in accordance with section 116 of the Act; or
- (ii) By a special resolution of our shareholders in the general meeting, supported by a solvency statement made by all the Directors of the Company in accordance with section 117 of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

### 6.2.4 We may not be able to pay dividends

Our Company is a holding company and we conduct substantially all of our operations through our Subsidiaries. Accordingly, an important source of our income, and subsequently an important factor in our ability to pay dividends on our Shares, is the amount of dividends and other distributions that our Company receives from our Subsidiaries. The ability of our Subsidiaries to pay dividends or make other distributions to our Company in the future will depend upon their operating results, earnings, capital requirements, general financial conditions and the governmental laws, decrees, regulations and/or relevant legislations in other countries relating to the repatriation of capital or the remittance of profit by or to our Group. In addition, changes in accounting standards may also affect the ability of our Subsidiaries, and consequently, our ability to pay dividends.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

**7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT****7.1 SHAREHOLDINGS OF OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

The shareholdings of our Promoters, Substantial Shareholders, Directors and Key Management in our Company before and after our Proposed Listing are as follows:

Name	Position/ Directorship	Before Proposed Listing				After Proposed Listing			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Leong Jyh Wen	Managing Director	188,210,710	95.43	-	-	188,210,710	79.14	-	-
Leong Jyahao	Executive Director	9,009,310	4.57	-	-	9,009,310	3.79	-	-
Joyce Lee Hoay Ling	Executive Director	-	-	-	-	-	-	-	-
Leong Siew Fong	General Manager	-	-	-	-	-	-	-	-

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## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 7.2 PROFILES OF OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

- (i) **Leong Jyh Wen**, a Malaysian, aged 52, is our co-founder and Managing Director. He was appointed to our Board on 20 June 2018.

He has close to 30 years of accumulated experience in the gardening supplies industry, specialising in the plastic injection moulding processes. He is primarily responsible for our Group's strategic directions.

In 1984, he finished his secondary education at Han Chiang High School in Penang. In 1986, he started his career with Eagle Card (M) Sdn. Bhd. in the sales and marketing department and in 1988, he was promoted to be the Assistant to President where he managed and trained the newer employees in the sales and marketing department.

He left Eagle Card (M) Sdn. Bhd. in 1989 and subsequently joined Keanbenglee Plastic Industries to assist his late father, Mr. Leong Kin Choy. Recognising the market potential of plastic flower pots, he decided to shift the business direction of Keanbenglee Plastic Industries from manufacturing of plastic parts used in fashion accessories into manufacturing of plastic flower pots as a substitute for ceramic flower pots in 1991.

To facilitate the business growth, he co-founded Era-I and KBL in 1992 and 1996 respectively to focus on manufacturing and trading of gardening supplies marketed under our proprietary "Baba" brand.

Leong Jyh Wen is the father of our Executive Director, Leong Jyahao, and the brother of our General Manager, Leong Siew Fong.

- (ii) **Leong Jyahao**, a Malaysian, aged 28, is our Executive Director. He was appointed to our Board on 20 June 2018.

He received his Bachelor of Sciences in Bio-system Engineering from Iowa State University, USA in 2012.

After graduating in 2012, he began his career by working for Iowa State University's Centre for Biorenewable Chemicals as a Research Assistant. In 2013, he left Iowa State University to establish Advanced Renewable Technology International Inc. ("ARTI") with 4 other directors. Their efforts in converting cooling oil wastes and biomass into biochar was awarded the Live Green! Awards for Excellence in Sustainability by Bio-Economy Institute of Iowa after the system improved the soil of the test area in Nicaragua.

After leaving ARTI in 2014, he joined the Group as an Eco-Farming Executive where he led the Eco-Merchandise department in developing new agricultural organic input to cater for organic-farming conversion. He was subsequently promoted to be our Executive Director in 2018, primarily responsible for overseeing the R&D activities of our Group.

Leong Jyahao is the son of our Managing Director, Leong Jyh Wen and the nephew of our General Manager, Leong Siew Fong.

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

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- (iii) **Joyce Lee Hoay Ling**, a Malaysian, aged 42, is our Executive Director. She was appointed to our Board on 20 June 2018.

She graduated from the University of South Australia, Australia in 1998 with a Bachelor of Business in Tourism and Hospitality.

She began her career in 1999 with Hotel Waterfall Sdn. Bhd. at Penang as an Assistant Operations Manager. She left in 2000 and joined Asian Pottery (Penang) Sdn. Bhd. as a Sales and Marketing Executive where she was responsible for expanding the company's sales in the pottery market. She was then promoted as an Assistant Marketing Manager in 2002, before being promoted to be a Key Account Manager in 2004.

In 2005, she left Asian Pottery (Penang) Sdn. Bhd. and joined KBL as an Overseas Sales Executive where she was responsible for handling our Group's export sales. In recognition of her contribution to the growth of our Group, she was promoted several times during her tenure of service with KBL before being appointed as our Deputy General Manager in 2014. She was subsequently promoted as our Executive Director in 2018, primarily responsible for overseeing the sales and marketing division of our Group.

She does not have any family relationship with our Promoters, Substantial Shareholders and other Directors of the Company.

- (iv) **Leong Siew Fong**, a Malaysian, aged 50, is co-founder and General Manager of our Group.

She has accumulated over 30 years of practical experience in plastic injection moulding processes, and is primarily responsible for managing our Group's production activities and administrative matters.

In 1985, she left her secondary studies from Han Chiang High School in Penang to help her late father in running the operations of Keanbenglee Plastic Industries, where she was responsible for managing the plastic injection moulding production activities and the financial and administrative affairs of the business.

Together with our Managing Director, Leong Jyh Wen, she co-founded Era-I and KBL in 1992 and 1996 respectively to focus on manufacturing and trading of gardening supplies marketed under our proprietary "Baba" brand and has held the position of General Manager since the incorporation of KBL.

Her practical experience and knowledge in plastic injection moulding processes is pivotal to the success of our Group, particularly in terms of formulation of production flows for new product and practical solutions for production-related issues.

Leong Siew Fong is the sister of our Managing Director, Leong Jyh Wen and the aunt of our Executive Director, Leong Jyahao.

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## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 7.3 INVOLVEMENT OF OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, 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 interest and directorships in other corporations outside our Group for the past 3 years up to the LPD:

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at LPD
Leong Jyh Wen	<b>Present Involvement</b>					
	Verterra Marketing (M) Sdn. Bhd. <sup>(1)</sup>	Direct selling of household products	Director/ Shareholder	16 December 2011	98.00	Existing
	<b>Previous Involvement – over the past 3 years</b>					
	Green Thumb Enterprise	Household trading	Sole Proprietor	2 April 2012 <sup>(2)</sup>	100.00	Expired on 1 April 2018
Leong Jyahao	Fu Tai Umbrella Industries Sdn. Bhd.	Management services and letting of properties	Shareholder	N/A	0.88	Dissolved on 13 May 2016
	<b>Present Involvement</b>					
	Verterra Marketing (M) Sdn. Bhd. <sup>(1)</sup>	Direct selling of household products	Director/ Shareholder	28 September 2017	2.00	Existing
	<b>Previous Involvement – over the past 3 years</b>					
	Earth Tag Management Sdn. Bhd.	Dormant	Director/ Shareholder	14 April 2014	50.00	Dissolved on 25 October 2016

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at LPD
Leong Siew Fong	<b>Present Involvement</b>					
	Real Life Bayan Lepas Organic Cottage	Engaged in sales of health food, organic food and health products	Partner	12 October 2016	33.33	Existing
	<b>Previous Involvement – over the past 3 years</b>					
	Verterra Marketing (M) Sdn. Bhd. <sup>(1)</sup>	Direct selling of household products	Director	16 December 2011/ (28 September 2017)	-	Existing

Notes:

- (1) The company has ceased operations and the Promoters have intention to dissolve the company in the future.
- (2) Date of venturing into the business.

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## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 7.4 REMUNERATION AND MATERIAL BENEFITS-IN-KIND OF OUR DIRECTORS

The aggregate remuneration and material benefits-in-kind proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 2018 are as follows:

Remuneration Band	
Directors	Estimate for the FYE 2018 (RM'000)
Leong Jyh Wen	301 – 350
Leong Jyahao	51 – 100
Joyce Lee Hoay Ling	151 – 200

The remuneration of our Directors includes salaries, bonuses, fees and allowances as well as other benefits.

### 7.5 CONFIRMATION BY 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 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.

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## 8. APPROVALS AND CONDITIONS

### 8.1 APPROVALS AND CONDITIONS

The listing and quotation of our entire enlarged issued share capital on the LEAP Market is subject to the following:

- (i) approval from Bursa Securities for the admission of our Shares to the Official List of LEAP Market; and
- (ii) the successful completion of our Proposed Excluded Issue.

### 8.2 MORATORIUM ON OUR SHARES

Pursuant to Rule 3.07 of the Listing Requirements, the Shares held by our Promoters, amounting to 197,220,020 Shares (representing approximately 82.93% of the enlarged issued share capital upon our Proposed Listing) are to be placed under moratorium.

Our Promoters, who hold any of our Shares directly and indirectly upon our Proposed Listing, have fully accepted the moratorium whereby they will not be permitted to sell, transfer or assign any part of their interest in the Shares during the moratorium period as follows:

- (i) The moratorium applies to the entire shareholdings of our Promoters for a period of 12 months from the date of our listing on the LEAP Market; and
- (ii) Upon expiry of the first 12 months, our Promoters shall maintain an aggregate shareholding amounting to 107,019,009 Shares representing 45% of the enlarged issued share capital of our Company for another period of 36 months.

(Hereinafter referred to as “**Promoters’ Moratorium Period**”)

Our Promoters have also provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the Promoters’ Moratorium Period.

In this respect, our Shares that are subject to moratorium from the date of our Proposed Listing are set out below:

Name	Moratorium shares during the 12-month moratorium <sup>(1)</sup>		Moratorium shares during the 36-month moratorium <sup>(2)</sup>	
	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(3)</sup>
Leong Jyh Wen	188,210,710	79.14	102,130,218	42.94
Leong Jyahao	9,009,310	3.79	4,888,791	2.06
<b>Total</b>	<b>197,220,020</b>	<b>82.93</b>	<b>107,019,009</b>	<b>45.00</b>

Notes:

- (1) From the date of our Proposed Listing.
- (2) Upon the expiry of 12 months from the date of our Proposed Listing.
- (3) Based on our enlarged issued share capital of 237,820,020 Shares upon the completion of our Proposed Excluded Issue.



**8. APPROVALS AND CONDITIONS (CONT'D)**

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**8.3 UNDERTAKINGS IN RELATION TO THE PROPOSED EXCLUDED ISSUE**

In accordance with Rule 3.10 of the Listing Requirements:

- (a) Baba Eco undertakes to open a trust account with a financial institution licensed by Bank Negara Malaysia ("**Trust Account**") where all monies received from the Sophisticated Investors pursuant to subscription of our Shares will be deposited therein. The Trust Account will be jointly operated by Baba Eco and WYNCORP;
- (b) Baba Eco and WYNCORP undertake that all monies deposited in the Trust Account will not be withdrawn until the date of listing of our Shares on the LEAP Market; and
- (c) Baba Eco undertakes to repay without interest all monies received from the Sophisticated Investors if:
  - (i) the Proposed Listing does not take place within 6 months from the date of Bursa Securities' approval for our Proposed Listing on the LEAP Market or such further extension of time as Bursa Securities may allow; or
  - (ii) the Proposed Listing is aborted by Baba Eco.

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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

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**9.1 RELATED PARTY TRANSACTIONS**

Under the Listing Requirements, a “related party transaction” is a transaction entered into between the 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” is:

- (i) a director having the same 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 or a chief executive of the listed corporation or its subsidiaries; or
- (ii) a major shareholder who has an interest of 10% or more of the total number of all the voting shares in a corporation 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 major shareholder of the listed corporation or its subsidiaries; or
- (iii) a person connected with such director or major shareholder.

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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)**

Save as disclosed below, we confirm that there are no existing or presently proposed related party transactions entered into between our Group and our Directors, Substantial Shareholders, Key Management and/or persons connected with them for the FYE 2017 and subsequent period up to the LPD.

No.	Transacting Parties	Nature of Relationship	Nature of Transaction	FYE 2017 (RM'000)	Up to the LPD (RM'000)
1.	KBL and Leong Jyh Wen and Leong Chee Keang	<ul style="list-style-type: none"> <li>▪ Leong Jyh Wen and Leong Siew Fong are our Promoters.</li> <li>▪ Leong Jyh Wen is our Substantial Shareholder.</li> <li>▪ Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong are the Directors of KBL.</li> <li>▪ Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong are siblings.</li> </ul>	Purchase of land known as Lot No. 841 held under Geran Mukim No. 428, Mukim 01, Daerah Seberang Perai Selatan, Pulau Pinang from Leong Jyh Wen and Leong Chee Keang.	-	8,000
2.	KBL and Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong	<ul style="list-style-type: none"> <li>▪ Leong Jyh Wen and Leong Siew Fong are our Promoters.</li> <li>▪ Leong Jyh Wen is our Substantial Shareholder.</li> <li>▪ Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong are the Directors of KBL.</li> <li>▪ Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong are siblings.</li> </ul>	Purchase of land known as as Lot No. 637 held under Pajakan Mukim No. PM3, Mukim 1, Daerah Seberang Perai Selatan, Pulau Pinang from Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong.	-	150

**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)**

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Our Directors confirm that all the related party transactions outlined above were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are not detrimental to our minority shareholders. In determining the transaction value, our Directors have taken into consideration the fair value as assessed by an independent valuer.

After our Proposed Listing, we will be required to seek our shareholders' approval for us to enter into a material related party transaction in accordance with the Listing Requirements. Interested director, major shareholder and/or person connected to them shall abstain from voting on the resolution in respect of the related party transaction in which they have an interest.

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## 9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

### 9.2 RECURRENT RELATED PARTY TRANSACTIONS

Save as disclosed below, we confirm that there are no other recurrent related party transactions with any of our Directors, Substantial Shareholders, Key Management and/or persons connected with them for the FYE 2017 and subsequent period up to the LPD.

No.	Transacting Parties	Nature of Relationship	Nature of Transaction	FYE 2017 (RM'000)	Up to the LPD (RM'000)
1.	KBL and Chee Wan Leng trading as Well Tech Engineering Works	<ul style="list-style-type: none"> <li>▪ Leong Jyh Wen and Leong Siew Fong are our Promoters.</li> <li>▪ Leong Jyh Wen is our Substantial Shareholder.</li> <li>▪ Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong are the Directors of KBL.</li> <li>▪ Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong are siblings.</li> <li>▪ Chee Wan Leng is the sole proprietor of Well Tech Engineering Works.</li> <li>▪ Chee Wan Leng is the husband of Leong Siew Fong, who is the Director of KBL.</li> <li>▪ Chee Wan Leng is the brother-in-law of Leong Jyh Wen and Leong Chee Keang, who are the Directors of KBL.</li> </ul>	Rental received for the tenancy of a building within our manufacturing facility located at No. 1384, Atas Lot 841, Mukim 1, Jalan Tasek, 14120 Simpang Ampat, Pulau Pinang.	24	20

**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)**

No.	Transacting Parties	Nature of Relationship	Nature of Transaction	FYE 2017 (RM'000)	Up to the LPD (RM'000)
2.	KBL and Chee Wan Leng trading as Well Tech Engineering Works	<ul style="list-style-type: none"> <li>▪ Leong Jyh Wen and Leong Siew Fong are our Promoters.</li> <li>▪ Leong Jyh Wen is our Substantial Shareholder.</li> <li>▪ Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong are the Directors of KBL.</li> <li>▪ Leong Jyh Wen, Leong Chee Keang and Leong Siew Fong are siblings.</li> <li>▪ Chee Wan Leng is the sole proprietor of Well Tech Engineering Works.</li> <li>▪ Chee Wan Leng is the husband of Leong Siew Fong, who is the Director of KBL.</li> <li>▪ Chee Wan Leng is the brother-in-law of Leong Jyh Wen and Leong Chee Keang, who are the Directors of KBL.</li> </ul>	Purchase of steel materials and repair services from Well Tech Engineering Works.	503	432

Our Directors confirm that all the recurrent related party transactions outlined above were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are not detrimental to our minority shareholders, determined after taking into consideration the quotation from non-related party.

**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)**

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After our Proposed Listing, we will be required to seek our shareholders' approval for us to enter into a material recurrent related party transaction in accordance with the Listing Requirements. Interested director, major shareholder and/or person connected to them shall abstain from voting on the resolution in respect of the recurrent related party transaction in which they have an interest.

**9.3 INTEREST IN SIMILAR BUSINESS**

None of our Directors and Substantial Shareholders have any interest, direct or indirect in any businesses or corporations that carry on a similar trade as that of our Group.

Their interests in other businesses and corporations as set out in Section 7.3 of this Information Memorandum would not give rise to a situation of conflict of interest with our Group.

**9.4 TRANSACTIONS ENTERED INTO THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS**

Our Board has confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or any of our Subsidiaries was a party during the Financial Years Under Review and subsequent period up to the LPD.

**9.5 LOANS AND GUARANTEES MADE TO OR FOR THE BENEFIT OF RELATED PARTIES AND ASSOCIATES**

Our Board has confirmed that there are no outstanding loans and/or guarantees made by our Group to or for the benefit of any related party as at the LPD.

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**10. FINANCIAL INFORMATION****10.1 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The following table sets out the summary of the audited combined statements of profit or loss and other comprehensive income for the FYEs 2016 and 2017, and unaudited financial statements of profit or loss and other comprehensive income for the 6-month FPEs 30 April 2017 and 2018, and should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 10.4 of this Information Memorandum:

	<----- Audited ----->		<----- Unaudited ----->	
	FYE		6-month FPE 30 April	
	2016 RM'000	2017 RM'000	2017 RM'000	2018 RM'000
Revenue	24,821	25,416	11,994	13,244
Cost of sales	(12,918)	(13,701)	(6,201)	(6,932)
<b>GP</b>	<b>11,903</b>	<b>11,715</b>	<b>5,793</b>	<b>6,312</b>
Other income	284	1,387	849	92
Selling and distribution expenses	(2,276)	(2,449)	(1,167)	(1,233)
Administrative expenses	(5,677)	(6,142)	(2,800)	(3,055)
Other expenses	(128)	(1)	(1)	(123)
Profit from operations	4,106	4,510	2,674	1,993
Finance costs	(189)	(214)	(79)	(114)
<b>PBT</b>	<b>3,917</b>	<b>4,296</b>	<b>2,595</b>	<b>1,879</b>
Taxation	(1,080)	(901)	(608)	(498)
<b>PAT</b>	<b>2,837</b>	<b>3,395</b>	<b>1,987</b>	<b>1,381</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>2,837</b>	<b>3,395</b>	<b>1,987</b>	<b>1,381</b>
PAT/ Total comprehensive income attributable to owners of the combining entities	2,837	3,395	1,987	1,381
GP margin (%) <sup>(1)</sup>	47.96	46.09	48.30	47.66
EBITDA <sup>(2)</sup>	4,780	5,180	3,010	2,296
EBITDA margin (%) <sup>(3)</sup>	19.26	20.38	25.10	17.34
PBT margin (%) <sup>(4)</sup>	15.78	16.90	21.64	14.19
PAT margin (%) <sup>(5)</sup>	11.43	13.36	16.57	10.43
Basic/Diluted EPS (sen) <sup>(6)</sup>	1.19	1.43	0.84	0.58
Number of Shares in issue after the Proposed Excluded Issue ('000)	237,820	237,820	237,820	237,820



**10. FINANCIAL INFORMATION (CONT'D)**Notes:

- (1) *GP margin is computed based on the GP over revenue.*  
 (2) *EBITDA is computed based on the following:*

	<-----Audited----->		<-----Unaudited----->	
	FYE 31 October		6-month FPE 30 April	
	2016 RM'000	2017 RM'000	2017 RM'000	2018 RM'000
PBT	3,917	4,296	2,595	1,879
<u>Add:</u>				
Finance costs	189	214	79	114
Depreciation	676	723	337	313
<u>Minus:</u>				
Interest income	(2)	(53)	(1)	(10)
<b>EBITDA</b>	<b>4,780</b>	<b>5,180</b>	<b>3,010</b>	<b>2,296</b>

- (3) *EBITDA margin is computed based on the EBITDA over revenue.*  
 (4) *PBT margin is computed based on the PBT over revenue.*  
 (5) *PAT margin is computed based on the PAT over revenue.*  
 (6) *Basic/Diluted EPS is computed based on PAT attributable to owners of combining entities divided by our enlarged number of Shares in issue of 237,820,020 Shares after the Proposed Listing.*

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**10. FINANCIAL INFORMATION (CONT'D)****10.2 COMBINED STATEMENTS OF FINANCIAL POSITION**

The following table sets out the summary of the audited combined statements of financial position as at 31 October 2016 and 2017, and unaudited combined statements of financial position as at 30 April 2017 and 2018, and should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 10.4 of this Information Memorandum:

	<----- Audited ----->		<----- Unaudited ----->	
	As at 31 October		As at 30 April	
	2016 RM'000	2017 RM'000	2017 RM'000	2018 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	16,214	15,788	16,010	16,516
Other investment	646	667	646	667
<b>Total non-current assets</b>	<b>16,860</b>	<b>16,455</b>	<b>16,656</b>	<b>17,183</b>
<b>Current assets</b>				
Inventories	2,608	2,961	2,759	3,637
Trade receivables	4,518	4,923	4,354	5,336
Other receivables	316	421	502	613
Tax recoverable	49	-	83	-
Fixed deposit with a licensed bank	-	552	540	560
Cash and bank balances	6,450	6,554	4,684	1,277
<b>Total current assets</b>	<b>13,941</b>	<b>15,411</b>	<b>12,922</b>	<b>11,423</b>
<b>Total assets</b>	<b>30,801</b>	<b>31,866</b>	<b>29,578</b>	<b>28,606</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	900	900	900	900
Retained earnings	21,627	18,822	20,614	20,203
<b>Total equity</b>	<b>22,527</b>	<b>19,722</b>	<b>21,514</b>	<b>21,103</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Finance lease liabilities	434	200	259	107
Borrowings	-	577	618	533
Deferred tax liabilities	1,332	1,282	1,308	1,322
<b>Total non-current liabilities</b>	<b>1,766</b>	<b>2,059</b>	<b>2,185</b>	<b>1,962</b>
<b>Current liabilities</b>				
Trade payables	1,441	1,787	1,454	1,499
Other payables	1,982	2,194	963	865
Amount due to Directors	24	3,243	206	32
Finance lease liabilities	338	234	390	204
Borrowings	2,315	2,468	2,207	2,853
Tax payable	408	159	659	88
<b>Total current liabilities</b>	<b>6,508</b>	<b>10,085</b>	<b>5,879</b>	<b>5,541</b>
<b>Total liabilities</b>	<b>8,274</b>	<b>12,144</b>	<b>8,064</b>	<b>7,503</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>30,801</b>	<b>31,866</b>	<b>29,578</b>	<b>28,606</b>

**10. FINANCIAL INFORMATION (CONT'D)****10.3 COMBINED STATEMENTS OF CASH FLOWS**

The following table sets out the summary of the audited combined statements of cash flows for the FYEs 2016 and 2017, and unaudited combined statements of cash flows for the 6-month FPEs 30 April 2017 and 2018, and should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 10.4 of this Information Memorandum:

	<----- Audited ----->		<----- Unaudited ----->	
	FYE		6-month FPE 30 April	
	2016 RM'000	2017 RM'000	2017 RM'000	2018 RM'000
Net cash from operating activities	3,642	3,437	1,067	12
Net cash used in investing activities	(629)	(744)	(673)	(1,037)
Net cash used in financing activities	(651)	(2,660)	(2,251)	(4,539)
Net increase/(decrease) in cash and cash equivalents	2,362	33	(1,857)	(5,564)
Effect of foreign exchange rate	127	155	175	(53)
Cash and cash equivalents at beginning of the year	3,877	6,366	6,366	6,554
Cash and cash equivalents at the end of the year	<b>6,366</b>	<b>6,554</b>	<b>4,684</b>	<b>937</b>
<u>Consist of</u>				
Cash and bank balances	6,450	6,554	4,684	1,277
Fixed deposit with a licensed bank	-	552	540	560
	6,450	7,106	5,224	1,837
Less:				
Bank overdrafts	(84)	-	-	(340)
Fixed deposit pledged with a licensed bank	-	(552)	(540)	(560)
	<b>6,366</b>	<b>6,554</b>	<b>4,684</b>	<b>937</b>

**Net cash from operating activities**

Our Group generated positive operating cash flows for Financial Years under Review and for the 6-month FPEs 30 April 2017 and 2018.

For the FYE 2017, our Group recorded net cash inflows from operating activities amounted to approximately RM3.44 million on the back of PBT of RM4.30 million and added back non-cash items of approximately RM0.57 million comprising mainly depreciation charges, net of unrealised gain on foreign exchange, gain on disposal of property, plant and equipment as well as fair value gain on other investment; offset against the following:

- (i) Interest income of approximately RM0.05 million;
- (ii) Cash outflows for working capital of approximately RM0.23 million; and
- (iii) Net tax payment of RM1.15 million.

**10. FINANCIAL INFORMATION (CONT'D)**

For the 6-month FPE 30 April 2018, our Group recorded net cash inflows from operating activities amounted to approximately RM0.01 million on the back of PBT of RM1.88 million and added back non-cash items of approximately RM0.40 million comprising mainly depreciation charges and unrealised loss on foreign exchange, net of gain on disposal of property, plant and equipment; offset against the following:

- (i) Interest income of approximately RM0.01 million;
- (ii) Cash outflows for working capital of approximately RM1.73 million; and
- (iii) Net tax payment of RM0.53 million.

**Net cash used in investing activities**

For the FYE 2017, our Group recorded net cash outflows of approximately RM0.74 million for investing activities primarily attributable to the following:

- (i) Placement of fixed deposit pledged to a licensed bank of RM0.54 million; and
- (ii) Purchase of property, plant and equipment amounted to approximately RM0.29 million comprising mainly production machineries and equipment, office equipment as well as computer and accounting system;

which was partially offset by proceeds from disposal of property, plant and equipment of approximately RM0.05 million and interest income received of RM0.04 million.

For the 6-month FPE 30 April 2018, our Group recorded net cash outflows of approximately RM1.04 million for investing activities mainly attributable to purchase of property, plant and equipment amounted to approximately RM1.08 million comprising mainly production machineries and equipment as well as land costs; which was partially offset by proceeds from disposal of property, plant and equipment of RM0.04 million.

**Net cash used in financing activities**

For the FYE 2017, our Group recorded net cash outflows of approximately RM2.66 million for financing activities, primarily attributable to dividend payment of RM3 million and repayment of finance lease liabilities of RM0.34 million; which was partially offset by net drawdown of term loan of RM0.66 million and repayment to Directors of RM0.02 million.

For the 6-month FPE 30 April 2018, our Group recorded net cash outflows of approximately RM4.54 million for financing activities, primarily attributable to the following:

- (i) Dividend payment of RM3.20 million;
- (ii) Repayment of borrowings amounted to RM0.16 million;
- (iii) Repayment to Directors and repayment of non-trade advance from a related party aggregated to approximately RM1.03 million; and
- (iv) Listing fees paid of approximately RM0.15 million in conjunction with the Proposed Listing.

## 10. FINANCIAL INFORMATION (CONT'D)

### 10.4 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with our Audited Combined Financial Statements and Unaudited Combined Interim Financial Statements as set out in the Appendix I and II of this Information Memorandum.

The following discussion and analysis contain certain forward-looking statements that involve risks and uncertainties some of which may be beyond our control. 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 6 of this Information Memorandum.

#### 10.4.1 Revenue

Our Group is an integrated gardening supplies provider under our proprietary brand name "Baba". Through our Subsidiaries, we are primarily involved in:

- (i) The manufacturing and trading of a diversified range of eco-friendly biodegradable plastic flower pots and planting media;
- (ii) The processing and trading of organic fertilisers and natural pesticides; and
- (iii) The trading of a diversified range of gardening accessories, seeds and agricultural produce.

Please refer to Section 4 of this Information Memorandum for our Group's detailed business overview. Please also refer to Section 6 of this Information Memorandum for the risk factors that may affect our financial performance.

#### (a) By Business Segment

The following tables set out our Group's revenue by business segment for the FYEs 2016 and 2017, as well as 6-month FPEs 30 April 2017 and 2018, classified into the following groupings:

##### Manufacturing

Consist of the following activities:

- Manufacturing and trading of biodegradable flower pots;
- Manufacturing and trading of planting media; and
- Manufacturing of other plastic-injection-moulding products on an OEM basis for customers.

##### Merchandising

Consist of the following activities:

- Processing and trading of organic fertilisers;
- Processing and trading of natural pesticides; and
- Trading of gardening accessories, seeds and agricultural produce.

**10. FINANCIAL INFORMATION (CONT'D)**

	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing:								
▪ Biodegradable flower pots	13,982	56.33	14,268	56.14	6,589	54.93	6,805	51.38
▪ Planting media	3,768	15.18	4,063	15.99	1,985	16.55	2,361	17.83
▪ Others <sup>(1)</sup>	957	3.86	1,002	3.94	537	4.48	609	4.60
	18,707	75.37	19,333	76.07	9,111	75.96	9,775	73.81
Merchandising <sup>(2)</sup>	6,114	24.63	6,083	23.93	2,883	24.04	3,469	26.19
<b>Total</b>	<b>24,821</b>	<b>100.00</b>	<b>25,416</b>	<b>100.00</b>	<b>11,994</b>	<b>100.00</b>	<b>13,244</b>	<b>100.00</b>

Notes

- (1) Consist of revenue derived from manufacturing of other plastic-injection-moulding products on an OEM basis for external customers.
- (2) Consist of revenue derived from processing and trading of organic fertilisers and natural pesticides, as well as trading of gardening accessories, seeds and agricultural produce.

**10. FINANCIAL INFORMATION (CONT'D)****(b) By Geographical Location**

	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Local</b> Malaysia	19,414	78.22	19,122	75.23	9,272	77.31	10,031	75.74
<b>Overseas</b> Singapore	2,571	10.36	2,589	10.19	1,272	10.60	1,928	14.56
Others <sup>(1)</sup>	2,836	11.42	3,705	14.58	1,450	12.09	1,285	9.70
	5,407	21.78	6,294	24.77	2,722	22.69	3,213	24.26
<b>Total</b>	<b>24,821</b>	<b>100.00</b>	<b>25,416</b>	<b>100.00</b>	<b>11,994</b>	<b>100.00</b>	<b>13,244</b>	<b>100.00</b>

Note

(1) Others consist of New Zealand, Saudi Arabia, Thailand, Philippines, Aruba, Curacao, Cambodia, Mauritius, Brunei, New Caledonia, Dubai, South Africa, Bangladesh, Australia, Papua New Guinea, Qatar, Myanmar, Japan, Fiji, Timor, Ecuador and Cameroon. These countries contributed less than 5% of our Group's total revenue.

**Comparison between the FYE 2016 and the FYE 2017**

Our Group recorded total revenue of approximately RM25.42 million for the FYE 2017, increased by approximately RM0.60 million or 2.42% as compared to the preceding year. The improved sales performance was mainly due to increased revenue from our manufacturing operations, backed by higher demand for our biodegradable flower pots and planting media.

During the FYE 2017, our Group received higher demand from overseas market with export sales increased by approximately RM0.88 million or 16.27% from RM5.41 million for the FYE 2016 to RM6.29 million in the FYE 2017; in line with our Group's strategy to expand overseas market.

**Comparison between the 6-month FPE 30 April 2017 and the 6-month FPE 30 April 2018**

Our Group recorded total revenue of approximately RM13.24 million for the 6-month FPE 30 April 2018, increased by approximately RM1.25 million or 10.43% as compared to the preceding year corresponding period. The improved sales performance was primarily driven by:

- (i) Growing demand for our biodegradable flower pots and planting media; and
- (ii) Increased sales from merchandising segment.

During the 6-month FPE 30 April 2018, our Group reported revenue growth in both the domestic and overseas markets; as a result of our active marketing efforts.

**10. FINANCIAL INFORMATION (CONT'D)****10.4.2 Cost of Sales****(a) By Business Segment**

The following table set out the breakdown of our Group's cost of sales by business segment for the FYEs 2016 and 2017, as well as the 6-month FPEs 30 April 2017 and 2018:

	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing	9,923	76.82	11,092	80.96	5,168	83.34	5,344	77.09
Merchandising	2,995	23.18	2,609	19.04	1,033	16.66	1,588	22.91
<b>Total</b>	<b>12,918</b>	<b>100.00</b>	<b>13,701</b>	<b>100.00</b>	<b>6,201</b>	<b>100.00</b>	<b>6,932</b>	<b>100.00</b>

**(b) By Cost Category**

The following table set out the breakdown of our Group's cost of sales by cost category for the FYEs 2016 and 2017, as well as the 6-month FPEs 30 April 2017 and 2018:

	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material Costs	8,953	69.31	9,204	67.18	4,158	67.05	4,685	67.58
Labour Costs	1,925	14.90	2,167	15.82	1,039	16.76	1,138	16.42
Production Overheads	2,040	15.79	2,330	17.00	1,004	16.19	1,109	16.00
<b>Total</b>	<b>12,918</b>	<b>100.00</b>	<b>13,701</b>	<b>100.00</b>	<b>6,201</b>	<b>100.00</b>	<b>6,932</b>	<b>100.00</b>

**Comparison between the FYE 2016 and the FYE 2017**

For the FYE 2017, our Group's cost of sales increased by approximately RM0.78 million or 6.04% from RM12.92 million for the FYE 2016 to RM13.70 million in the FYE 2017. This was generally in line with our revenue growth during the FYE 2017.

The components of our Group's cost of sales remained relatively consistent during the FYE 2017, as compared to the preceding year. The main cost component was material cost, accounted for approximately 67.18% of our Group's cost of sales. Labour costs and production overheads accounted for 15.82% and 17.00% of our Group's cost of sales respectively in the FYE 2017.



**10. FINANCIAL INFORMATION (CONT'D)****Comparison between the 6-month FPE 30 April 2017 and the 6-month FPE 30 April 2018**

For the 6-month FPE 30 April 2018, our Group's cost of sales increased by approximately RM0.73 million or 11.77% from RM6.20 million for the 6-month FPE 30 April 2017 to RM6.93 million in the 6-month FPE 30 April 2018; in line with our revenue growth during the 6-month FPE 30 April 2018.

**10.4.3 GP and GP Margin****(a) By Business Segment**

The following table set out the breakdown of our Group's GP and GP Margin by business segment for the FYEs 2016 and 2017, as well as the 6-month FPEs 30 April 2017 and 2018:

GP	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing	8,784	73.80	8,241	70.35	3,943	68.06	4,431	70.20
Merchandising	3,119	26.20	3,474	29.65	1,850	31.94	1,881	29.80
<b>Total</b>	<b>11,903</b>	<b>100.00</b>	<b>11,715</b>	<b>100.00</b>	<b>5,793</b>	<b>100.00</b>	<b>6,312</b>	<b>100.00</b>

GP margin	Audited		Unaudited	
	FYE 2016	FYE 2017	6-month FPE 2017	6-month FPE 2018
	(%)	(%)	(%)	(%)
Manufacturing	46.96	42.63	43.28	45.33
Merchandising	51.01	57.11	64.17	54.22
<b>Overall GP Margin</b>	<b>47.96</b>	<b>46.09</b>	<b>48.30</b>	<b>47.66</b>

**(b) By Geographical Location**

The segmental analysis of GP by geographical location is not readily available as our Group does not manage cost of sales based on geographical location.

**Comparison between the FYE 2016 and the FYE 2017**

Our Group's GP decreased by approximately RM0.18 million or 1.51% from RM11.90 million for the FYE 2016 to RM11.72 million in the FYE 2017. Our Group's overall GP margin for the FYE 2017 stood at 46.09%, lower as compared to the preceding year. This was primarily due to higher increase in labour costs and production overheads, which are step-cost in nature, in conjunction with the expansion of our business operations.

**10. FINANCIAL INFORMATION (CONT'D)****Comparison between the 6-month FPE 30 April 2017 and the 6-month FPE 30 April 2018**

In line with our revenue growth during the 6-month FPE 30 April 2018, our Group's GP increased by approximately RM0.52 million or 8.98% from RM5.79 million for the 6-month FPE 30 April 2017 to RM6.31 million in the 6-month FPE 30 April 2018. Our Group's overall GP margin for the 6-month FPE 30 April 2018 stood at 47.66%, lower by 0.64% as compared to the preceding year corresponding period.

**10.4.4 Other Income**

Our Group's other income for the FYEs 2016 and 2017, as well as for the 6-month FPEs 30 April 2017 and 2018, are set out as below:

	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Certification fees	42	14.79	82	5.91	41	4.83	38	41.30
Fair value gain on other investment	22	7.75	21	1.52	-	-	-	-
Feed-in tariff from TNB	37	13.03	95	6.85	65	7.66	30	32.61
Gain on disposal of property, plant and equipment	59	20.77	53	3.82	53	6.24	2	2.18
Gain on foreign exchange:								
- Realised	-	-	985	71.02	621	73.14	-	-
- Unrealised	78	27.46	73	5.26	56	6.60	-	-
Interest income	2	0.71	54	3.89	1	0.12	10	10.87
Rental income	24	8.45	24	1.73	12	1.41	12	13.04
Insurance claim	20	7.04	-	-	-	-	-	-
<b>Total</b>	<b>284</b>	<b>100.00</b>	<b>1,387</b>	<b>100.00</b>	<b>849</b>	<b>100.00</b>	<b>92</b>	<b>100.00</b>

**Comparison between the FYE 2016 and the FYE 2017**

Our Group's other income for the FYE 2017 amounted to approximately RM1.39 million, increased by approximately RM1.11 million or 396.43% as compared to the preceding year. The increase was primarily attributable to higher realised gain on foreign exchange of approximately RM0.99 million recorded during the FYE 2017 in line with the fluctuation of foreign exchange rate particularly strengthening of USD and SGD against RM during the FYE 2017.

**10. FINANCIAL INFORMATION (CONT'D)****Comparison between the 6-month FPE 30 April 2017 and the 6-month FPE 30 April 2018**

For the 6-month FPE 30 April 2018, our Group recorded other income of approximately RM0.09 million, lower by approximately RM 0.76 million or 89.41%, as compared to the preceding year corresponding period. This was primarily due to gain on foreign exchange totalling RM0.68 million recorded in the preceding year corresponding period, which was non-recurring during the 6-month FPE 30 April 2018.

**10.4.5 Selling and Distribution Expenses**

The following table set out a breakdown of our Group's selling and distribution expenses for the FYEs 2016 and 2017, as well as for the 6-month FPEs 30 April 2017 and 2018:

	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Transport and forwarding charges	1,629	71.57	1,659	67.74	807	69.15	755	61.23
Sales commission	441	19.38	521	21.27	258	22.11	282	22.87
Others <sup>(1)</sup>	206	9.05	269	10.99	102	8.74	196	15.90
<b>Total</b>	<b>2,276</b>	<b>100.00</b>	<b>2,449</b>	<b>100.00</b>	<b>1,167</b>	<b>100.00</b>	<b>1,233</b>	<b>100.00</b>

**Note**

(1) Others consist primarily of travelling and accommodation costs incurred by the sales and marketing team, as well as expenses incurred for exhibition and promotional activities to enhance the market awareness of "Baba" brand and products.

**Comparison between the FYE 2016 and the FYE 2017**

Our Group's selling and distribution expenses increased by approximately RM0.17 million or 7.46% from RM2.28 million for the FYE 2016 to RM2.45 million in the FYE 2017, in line with the revenue growth and expansion of operations of our Group during the FYE 2017.

**Comparison between the 6-month FPE 30 April 2017 and the 6-month FPE 30 April 2018**

Our Group's selling and distribution expenses increased by approximately RM0.06 million or 5.13% from RM1.17 million for the 6-month FPE 30 April 2017 to RM1.23 million in the 6-month FPE 30 April 2018, in line with the overall increase in our sales during the 6-month FPE 30 April 2018.

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**10. FINANCIAL INFORMATION (CONT'D)****10.4.6 Administrative Expenses**

The following table set out a breakdown of our Group's administrative expenses for the FYE 2016 and 2017, as well as the 6-month FPE 30 April 2017 and 2018:

	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Remuneration	3,169	55.82	3,425	55.76	1,430	51.07	1,729	56.60
Depreciation	274	4.83	272	4.43	134	4.79	103	3.37
Travelling	350	6.17	385	6.27	177	6.32	172	5.63
Advertisement	174	3.06	135	2.20	69	2.46	42	1.37
Upkeep expenses	135	2.38	163	2.65	78	2.79	52	1.70
Levy and license fees	126	2.22	160	2.60	61	2.18	105	3.44
Professional fees	124	2.18	215	3.50	39	1.39	63	2.06
Rental expenses	120	2.11	73	1.19	54	1.93	59	1.93
Utilities	112	1.97	130	2.12	53	1.89	62	2.03
Insurance	87	1.53	111	1.81	12	0.43	35	1.15
Training costs	74	1.30	99	1.61	93	3.32	63	2.06
Others	932	16.42	974	15.86	600	21.43	570	18.66
<b>Total</b>	<b>5,677</b>	<b>100.00</b>	<b>6,142</b>	<b>100.00</b>	<b>2,800</b>	<b>100.00</b>	<b>3,055</b>	<b>100.00</b>

**Comparison between the FYE 2016 and the FYE 2017**

For the FYE 2017, our Group's administrative expenses increased by approximately RM0.46 million or 8.10% from RM5.68 million for the FYE 2016 to RM6.14 million in the FYE 2017; primarily attributable to the following factors:

- (i) Increase in staff and directors' remuneration by approximately RM0.26 million, as a result of annual increments and bonuses awarded in line with the improved sales performance of our Group; and
- (ii) Additional professional fees incurred by approximately RM0.10 million, mainly for legal services in relation to our ongoing lawsuit with TNB and assistance for registration of patent on our new industrial designs.

**10. FINANCIAL INFORMATION (CONT'D)****Comparison between the 6-month FPE 30 April 2017 and the 6-month FPE 30 April 2018**

For the 6-month FPE 30 April 2018, our Group's administrative expenses increased by approximately RM0.26 million or 9.29% from RM2.80 million for the 6-month FPE 30 April 2017 to RM3.06 million in the 6-month FPE 30 April 2018; mainly due to increase in staff and directors' remuneration by approximately RM0.30 million as a result of annual increments and bonuses awarded in line with improved sales performance of our Group and staff retention strategy.

**10.4.7 Taxation**

	Audited				Unaudited			
	FYE 2016		FYE 2017		6-month FPE 30 April 2017		6-month FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Income tax:								
- Current year	1,125	104.17	1,064	118.09	632	103.95	458	91.97
- Over provision in prior year	(37)	(3.43)	(113)	(12.54)	-	-	-	-
	1,088	100.74	951	105.55	632	103.95	458	91.97
(Reversal)/Provision of deferred tax liabilities	(8)	(0.74)	(50)	(5.55)	(24)	(3.95)	40	8.03
<b>Total</b>	<b>1,080</b>	<b>100.00</b>	<b>901</b>	<b>100.00</b>	<b>608</b>	<b>100.00</b>	<b>498</b>	<b>100.00</b>
<b>Effective tax rate</b>	<b>27.57%</b>		<b>20.97%</b>		<b>23.43%</b>		<b>26.50%</b>	

**Comparison between the FYE 2016 and the FYE 2017**

For the FYE 2017, our Group incurred overall tax expense of approximately RM0.90 million, reduced by approximately RM0.18 million or 16.67% as compared to the preceding year; representing an effective tax rate of 20.97% (FYE 2016: 27.57%). The decrease in overall tax expenses was primarily attributable to:

- (i) Tax savings arising from the reduction in statutory tax rate on the first RM500,000 chargeable income from 19% to 18% for the year of assessment 2017;
- (ii) Tax savings arising from higher portion of income not subject to tax and lower amount of expenses not allowed for tax deduction; and
- (iii) Reversal of income tax overprovided in prior year.

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**10. FINANCIAL INFORMATION (CONT'D)****Comparison between the 6-month FPE 30 April 2017 and the 6-month FPE 30 April 2018**

For the 6-month FPE 30 April 2018, our Group recorded overall tax expense of approximately RM0.50 million, reduced by approximately RM0.11 million or 18.03% as compared to the preceding year corresponding period; representing an effective tax rate of 26.50% (6-month FPE 30 April 2017: 23.43%). The decrease in overall tax expenses was generally in line with the lower PBT achieved for the 6-month FPE 30 April 2018, which was mainly due to lower other income and higher expenses incurred as explained in the sections above.

**10.4.8 PAT and PAT Margin**

	Audited		Unaudited	
	FYE 2016	FYE 2017	6-month FPE 30 April 2017	6-month FPE 30 April 2018
PAT (RM'000)	2,837	3,395	1,987	1,381
PAT margin (%)	11.43	13.36	16.57	10.43

**Comparison between the FYE 2016 and the FYE 2017**

Backed by the improved sales and GP performance as explained in above sections, our Group's PAT increased by approximately RM0.56 million or 19.72% from RM2.84 million for the FYE 2016 to RM3.40 million in the FYE 2017.

PAT margin improved from 11.43% for the FYE 2016 to 13.36% in the FYE 2017. This was primarily due to better PBT margin as a result higher other income and lower effective tax rate recorded during the FYE 2017 as explained in above sections.

**Comparison between the 6-month FPE 30 April 2017 and the 6-month FPE 30 April 2018**

Our Group recorded PAT of approximately RM1.38 million for the 6-month FPE 30 April 2018, lower by approximately RM0.61 million or 30.65% as compared to the preceding year corresponding period. The decrease was primarily due to lower other income recorded, higher selling and distribution expenses as well as administrative expenses incurred in line with the expansion of our Group's operations.

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**10. FINANCIAL INFORMATION (CONT'D)****10.4.9 Key Financial Ratios**

		Audited		Unaudited	
		FYE 2016	FYE 2017	6-month FPE 30 April 2017	6-month FPE 30 April 2018
Trade receivables turnover period <sup>(1)</sup>	(days)	66	71	66	73
Trade payables turnover period <sup>(2)</sup>	(days)	41	48	42	39
Inventories turnover period <sup>(3)</sup>	(days)	74	79	81	95
Current ratio <sup>(4)</sup>	(times)	2.14	1.53	2.20	2.06
Gearing ratio <sup>(5)</sup>	(times)	0.14	0.18	0.16	0.18

**Notes:**

- (1) Computed based on trade receivables balance over our Group's revenue for the respective financial year/period, multiplied by number of days in the financial year/period.
- (2) Computed based on trade payables balance over our Group's cost of sales for the respective financial year/period, multiplied by number of days in the financial year/period.
- (3) Computed based on inventories balance over our Group's cost of sales for the respective financial year/period, multiplied by number of days in the financial year/period.
- (4) Computed based on current assets over current liabilities as at the respective financial year/period-end.
- (5) Computed based on the total borrowings (comprising borrowings and finance lease liabilities) over total equity as at the respective financial year/period-end.

**(i) Trade receivables turnover period**

Our Group's trade receivables turnover period stood at 71 days and 73 days respectively for the FYE 2017 and the 6-month FPE 30 April 2018, relatively consistent with the preceding year corresponding periods. The trade receivables turnover period fell within the normal credit period granted by our Group to our customers, which ranged from 14 to 120 days.

Our credit terms to customers are assessed on a customer-by-customer basis. Only a selective group of customers with whom our Group has established business relationship and good collection record are granted a longer credit period, in line with our Group's strategy to achieve a healthy operating cash flows position.

As at 31 October 2017, only 15.90% of our trade receivables balances were due from customers with credit period of 120 days. The remaining 84.10% of our trade receivables balances were due from customers with credit period within 90 days.

**10. FINANCIAL INFORMATION (CONT'D)**

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**(ii) Trade payables turnover period**

Our Group's trade payables turnover period stood at 48 days and 39 days respectively for the FYE 2017 and the 6-month FPE 30 April 2018, relatively consistent with the preceding year corresponding periods. The trade payables turnover period fell within the normal credit term granted by our suppliers, which ranged from 30 to 60 days.

**(iii) Inventories turnover period**

Our Group's inventories turnover period increased from 74 days for the FYE 2016 to 79 days in the FYE 2017, and from 81 days for the 6-month FPE 30 April 2017 to 95 days in the 6-month FPE 30 April 2018; primarily to cater for the increased demands for our products.

Our Group has not experienced any write-off due to stock obsolescence during the Financial Years Under Review. Our Board is of the opinion that there are no significant slow-moving or obsolete inventories as at 31 October 2017 and as at 30 April 2018 as our inventories on-hand are primarily to cater for subsequent months' production and sales.

**(iv) Current ratio**

Our Group's recorded current ratio of 1.53 times and 2.06 times respectively as at 31 October 2017 and 30 April 2018. The Board will endeavour to maintain the current ratio of our Group at a healthy level.

**(v) Gearing ratio**

Our Group's recorded gearing ratio of 0.18 times as at 31 October 2017 and 30 April 2018 respectively. The Board will, from time to time, review our Group's gearing ratio and make adjustment to our Group's capital structure, where appropriate.

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## **11. OTHER INFORMATION**

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### **11.1 DECLARATIONS BY ADVISERS ON CONFLICTS OF INTEREST**

#### **11.1.1 Declaration by WYNCORP**

WYNCORP Advisory Sdn. Bhd. confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Approved Adviser, Custodian, Placement Agent and Continuing Adviser for our Proposed Listing.

#### **11.1.2 Declaration by Grant Thornton Malaysia**

Grant Thornton Malaysia confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Auditors and Reporting Accountants for our Proposed Listing.

#### **11.1.3 Declaration by Azman Davidson & Co**

Azman Davidson & Co confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Legal Adviser for our Proposed Listing.

#### **11.1.4 Declaration by Protégé Associates Sdn. Bhd.**

Protégé Associates Sdn. Bhd. confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Independent Market Researcher for our Proposed Listing.

#### **11.1.5 Declaration by GovernAce Advisory & Solutions Sdn. Bhd.**

GovernAce Advisory & Solutions Sdn. Bhd. confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Independent Internal Control Consultant for our Proposed Listing.

### **11.2 CONSENTS**

The written consents of our Approved Adviser, Custodian, Placement Agent, Continuing Adviser, Legal Adviser, Principal Banker, Share Registrar, Independent Internal Control Consultant and Company Secretary as set out in the Corporate Directory under Section 1 of this Information Memorandum for the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name and the Independent Auditors' Report, and all references thereto in the form and context in which they appear in this Information Memorandum has been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

The written consent of the Independent Market Researcher for the inclusion of its name and the Independent Market Research Report, and all references thereto in the form and context in which they appear in this Information Memorandum has been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

**11. OTHER INFORMATION (CONT'D)****11.3 MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

Save as disclosed below, the Company is not involved in any litigation, claims or arbitration and its Board of Directors does not have any knowledge of any proceedings pending or threatened against the Company or any facts which are likely to give rise to any proceedings, which would have a material adverse effect on the business or financial position of the Company:

<b>PARTIES</b>	TNB v KBL
<b>SUIT NUMBER AND COURT</b>	B52NCvC-01-05/2014 (Butterworth Sessions Court)
<b>NATURE OF THE CLAIM</b>	<p>TNB had via a writ of summons dated 28 May 2014 and statement of claim dated 22 May 2014 commenced a legal action against KBL for the alleged tempering with the electrical meter preventing it from recording the exact and precise electricity consumed by KBL.</p> <p>The total amount claimed by TNB is for the sum of RM511,635.44 being the alleged back bills for the electricity consumed from November 2009 to 17 February 2012.</p>
<b>CHRONOLOGY OF EVENT</b>	<p>(i) TNB had via a writ of summons dated 28 May 2014 and Statement of Claim dated 22 May 2014 commenced a legal action against KBL.</p> <p>(ii) KBL had subsequently filed an application under Order 33 of the Rules of Court 2012 for the court to hear and dispose of the said matter on a question of law taking into consideration that TNB had failed, refused and neglected to comply with the condition precedent prior to commencing the civil suit against KBL and the court had on 10 July 2017 allowed the said application in favour of KBL.</p> <p>(iii) TNB had filed an appeal to the Penang High Court under civil appeal no. PA-12ANCvC-29-07/2017 to appeal against the decision dated 10 July 2017. The High Court had on 18 December 2017 dismissed the said appeal.</p> <p>(iv) TNB had subsequently filed an appeal to the Court of Appeal under Court of Appeal Civil Appeal No.: P-04(IM)(NCvC)-9-01/2018 against the High Court's decision dated 18 December 2017. The Court of Appeal had on 10 July 2018 allowed TNB's appeal with costs of RM5,000 and that the said matter has now been ordered to go for trial at the Sessions Court.</p>
<b>QUANTUM OF CLAIM</b>	RM511,635.44
<b>DATE OF COMMENCEMENT OF ACTION</b>	May 2014

## 11. OTHER INFORMATION (CONT'D)

<b>LIKELIHOOD OF SUCCESS BY THE COMPANY IN THE MATTER/ SOLICITOR'S OPINION ON THE POSSIBLE OUTCOME OF THE MATTER</b>	KBL's solicitor is of the opinion that the outcome of the lawsuit may be favourable to KBL due to, amongst others, the following reasons:  (i) TNB had not issued a valid statutory notice in accordance with Section 38(4) of the Electricity Supply Act 1990 which is a condition precedent prior to TNB commencing any legal suit against KBL;  (ii) It is impossible for any modification and/or tempering to the various cables and/or wiring concealed in the test terminal block, main meter and the test meter as the seals to the cover leading to the test terminal block remains intact and undisturbed; and  (iii) TNB had failed to prove the basis of claiming RM511,635.44.
<b>ESTIMATE OF THE MAXIMUM EXPOSURE OF THE COMPANY TO LIABILITIES (EXCLUDING LEGAL COSTS)</b>	RM511,635.44
<b>CURRENT STATUS</b>	The Court of Appeal had, on 10 July 2018, allowed TNB's appeal with costs of RM5,000 and that the said matter has been ordered to go for trial at the Sessions Court.  The matter is currently pending trial at the Sessions Court.
<b>DETAILS OF ANY OTHER MATTER WHICH IN THE SOLICITOR'S OPINION MIGHT BE RELEVANT OR OTHERWISE OF INTEREST TO A POTENTIAL INVESTOR IN THE COMPANY</b>	None

As at the LPD, we do not have any material contingent liabilities which have become enforceable or are likely to become enforceable, which in the opinion of our Board, will or may substantially affect the ability of our Group to meet our obligations as and when they fall due.

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**11. OTHER INFORMATION (CONT'D)**

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**11.4 DOCUMENTS AVAILABLE FOR INSPECTION**

Copy of the following documents are available free of charge for inspection during normal business hours on weekdays (except for Saturday, Sunday and public holiday) at our registered office at 39, Salween Road, 10050 Georgetown, Pulau Pinang; for at least 1 month after our Proposed Listing on the LEAP Market:

- (i) Our Constitution;
- (ii) The material contracts not in the ordinary course of business referred to in Section 4.13 of this Information Memorandum; and
- (iii) The letters of consent referred to in Section 11.1 of this Information Memorandum.

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**APPENDIX I –**

**AUDITED COMBINED FINANCIAL STATEMENTS FOR  
THE FINANCIAL YEAR ENDED 31 OCTOBER 2017**

**Company No: 1268966-W**

**BABA ECO GROUP BERHAD**  
(Incorporated in Malaysia)

**COMBINED FINANCIAL STATEMENTS**

**31 OCTOBER 2017**

**GRANT THORNTON MALAYSIA**  
**CHARTERED ACCOUNTANTS**  
**Member Firm of Grant Thornton International Ltd**

**Company No: 1268966-W**

**BABA ECO GROUP BERHAD**  
(Incorporated in Malaysia)

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## **INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF**

### **BABA ECO GROUP BERHAD**

(Incorporated in Malaysia)

Company No: 1268966-W

#### **Report on the Audit of the Combined Financial Statements**

#### **Opinion**

We have audited the combined financial statements of Baba Eco Group Berhad ("the Company") and its subsidiaries ("the combining entities"), which comprise the combined statements of financial position as at 1 November 2015, 31 October 2016 and 31 October 2017 of the combining entities, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the combining entities for the financial years ended 31 October 2016 and 31 October 2017, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 62 of the combined financial statements.

These combined financial statements have been prepared for inclusion in the information memorandum of Baba Eco Group Berhad ("Information Memorandum") in connection with the proposed listing of and quotation of the enlarged issued and paid-up share capital of Baba Eco Group Berhad on the LEAP Market of Bursa Malaysia Securities Berhad ("Proposed Listing"). This report is given for the purposes of complying with the LEAP Market listing requirements issued by Bursa Malaysia Securities Berhad and for no other purpose.

In our opinion, the combined financial statements give a true and fair view of the combined financial position of the combining entities as of 1 November 2015, 31 October 2016 and 31 October 2017 and of its combined financial performance and cash flows for the financial years ended 31 October 2016 and 31 October 2017 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### **Basis of Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence and Other Ethical Responsibilities**

We are independent of the combining entities 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.

---

#### **Grant Thornton Malaysia**

(AF:0737)

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**Company No: 1268966-W**

**Report on the Audit of the Combined Financial Statements (cont'd)**

**Information Other than the Combined Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Information Memorandum, but does not include the combined financial statements of the Company and our auditors' report thereon.

Our opinion on the combined financial statements of the combining entities does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the combined financial statements of the combining entities, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the combining entities or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Combined Financial Statements**

The Directors of the Company are responsible for the preparation of the combined financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the combining entities, the Directors are responsible for assessing the combining entities' 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 combining entities or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the combining entities as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, 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 combining entities, 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;



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**Company No: 1268966-W**

**Report on the Audit of the Combined Financial Statements (cont'd)**

**Auditors' Responsibilities for the Audit of the Combined Financial Statements (cont'd)**

We also (cont'd):-

- 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 combining entities' internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- 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 combining entities' 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 combining entities 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 combining entities to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the combined financial statements of the combining entities, including the disclosures, and whether the combined financial statements of the combining entities represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the combining entities to express an opinion on the combined financial statements of the combining entities. We are responsible for the direction, supervision and performance of the audit of the combining entities. 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 for the inclusion in the Information Memorandum of the Company in connection with the proposed excluded issue of 40,600,000 ordinary shares of the Company at an indicative price of RM0.13 per share and the listing and quotation of the entire issued share capital of the Company on the Leading Entrepreneur Accelerator Platform ("LEAP Market") of Bursa Malaysia Securities Berhad and should not be relied upon for any other purpose. We do not assume responsibility to any other person for the content of this report.



**GRANT THORNTON MALAYSIA**  
(NO. AF: 0737)  
CHARTERED ACCOUNTANTS



**OOI POH LIM**  
(NO: 3087/10/19(J))  
CHARTERED ACCOUNTANT

Kuala Lumpur  
5 September 2018

**BABA ECO GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 OCTOBER 2017, 31 OCTOBER 2016 AND 1 NOVEMBER 2015**

	<u>Note</u>	<u>31.10.2017</u>	<u>31.10.2016</u>	<u>1.11.2015</u>
		RM	RM	RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	15,788,308	16,214,111	16,012,343
Other investment	5	666,985	645,955	624,280
Total non-current assets		<u>16,455,293</u>	<u>16,860,066</u>	<u>16,636,623</u>
<b>Current assets</b>				
Inventories	6	2,960,927	2,608,601	2,483,643
Trade receivables	7	4,922,406	4,517,870	5,204,244
Other receivables	8	421,040	316,275	538,072
Amount due from Directors	9	-	-	4,171
Tax recoverable		-	48,728	-
Fixed deposit with a licensed bank	10	552,150	-	-
Cash and bank balances	11	6,554,108	6,449,610	3,947,812
Total current assets		<u>15,410,631</u>	<u>13,941,084</u>	<u>12,177,942</u>
<b>TOTAL ASSETS</b>		<u><u>31,865,924</u></u>	<u><u>30,801,150</u></u>	<u><u>28,814,565</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
<b>Equity attributable to owners of the combining entities:-</b>				
Share capital	12	900,000	900,000	900,000
Retained earnings		<u>18,822,018</u>	<u>21,627,137</u>	<u>19,039,843</u>
<b>Total equity</b>		<u>19,722,018</u>	<u>22,527,137</u>	<u>19,939,843</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Finance lease liabilities	13	199,692	433,617	587,290
Borrowings	14	576,792	-	-
Deferred tax liabilities	15	<u>1,282,164</u>	<u>1,332,164</u>	<u>1,339,955</u>
Total non-current liabilities		<u>2,058,648</u>	<u>1,765,781</u>	<u>1,927,245</u>

**BABA ECO GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 OCTOBER 2017, 31 OCTOBER 2016 AND 1 NOVEMBER 2015 (CONT'D)**

	<u>Note</u>	<u>31.10.2017</u>	<u>31.10.2016</u>	<u>1.11.2015</u>
		RM	RM	RM
<b>EQUITY AND LIABILITIES (CONT'D)</b>				
<b>LIABILITIES (CONT'D)</b>				
<b>Current liabilities</b>				
Trade payables	16	1,786,907	1,441,220	1,736,778
Other payables	17	2,194,159	1,981,945	2,038,491
Amount due to Directors	9	3,243,479	24,050	-
Finance lease liabilities	13	233,925	337,600	375,827
Borrowings	14	2,467,605	2,315,249	2,541,081
Tax payable		159,183	408,168	255,300
		<u>10,085,258</u>	<u>6,508,232</u>	<u>6,947,477</u>
Total current liabilities				
		<u>12,143,906</u>	<u>8,274,013</u>	<u>8,874,722</u>
Total liabilities				
		<u>31,865,924</u>	<u>30,801,150</u>	<u>28,814,565</u>
<b>TOTAL EQUITY AND LIABILITIES</b>				

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

**BABA ECO GROUP BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE FINANCIAL YEARS ENDED 31 OCTOBER 2017 AND 2016**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
Revenue	18	25,416,438	24,821,506
Cost of sales		<u>(13,700,977)</u>	<u>(12,918,364)</u>
Gross profit		11,715,461	11,903,142
Other income		1,387,026	284,793
Selling and distribution expenses		(2,449,247)	(2,276,052)
Administrative expenses		(6,142,275)	(5,677,025)
Other expenses		(594)	(128,106)
Finance costs		<u>(214,607)</u>	<u>(189,338)</u>
Profit before tax	19	4,295,764	3,917,414
Tax expense	20	<u>(900,883)</u>	<u>(1,080,120)</u>
Profit for the financial year		3,394,881	2,837,294
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>3,394,881</u>	<u>2,837,294</u>
Profit for the financial year/Total comprehensive income attributable to:-			
- Owners of the combining entities		<u>3,394,881</u>	<u>2,837,294</u>
Earnings per share attributable to owners of the combining entities:-			
- Basic (sen)	21	<u>377.21</u>	<u>315.25</u>
- Diluted (sen)	21	<u>*</u>	<u>*</u>

\* There are no dilutive potential equity instruments that would give a diluted effect to the basic earnings per share.

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

**BABA ECO GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEARS ENDED 31 OCTOBER 2017 AND 2016**

	<u>Note</u>	<u>Share capital</u> RM	<u>Retained earnings</u> RM	<u>Total</u> RM
Balance at 1 November 2015		900,000	19,039,843	19,939,843
<b>Transaction with owners:-</b>				
Dividends	22	-	(250,000)	(250,000)
Total comprehensive income for the financial year		-	2,837,294	2,837,294
Balance at 31 October 2016		900,000	21,627,137	22,527,137
<b>Transactions with owners:-</b>				
Dividends	22	-	(6,200,000)	(6,200,000)
Total comprehensive income for the financial year		-	3,394,881	3,394,881
Balance at 31 October 2017		900,000	18,822,018	19,722,018

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

**BABA ECO GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEARS ENDED 31 OCTOBER 2017 AND 2016**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		RM	RM
<b>OPERATING ACTIVITIES</b>			
Profit before tax		4,295,764	3,917,414
<b>Adjustments for:-</b>			
Unrealised gain on foreign exchange		(72,835)	(78,162)
Depreciation		723,044	676,386
Gain on disposal of property, plant and equipment		(52,828)	(59,678)
Property, plant and equipment written off		594	-
Interest expense		214,607	189,338
Fair value gain on other investment		(21,030)	(21,675)
Interest income		(53,646)	(2,527)
Bad debts written off		-	473
Operating profit before working capital changes		5,033,670	4,621,569
<b>Changes in working capital:-</b>			
Inventories		(352,326)	(124,958)
Receivables		(590,847)	858,632
Payables		557,901	(352,104)
Bankers' acceptances		154,000	(188,000)
Cash generated from operations		4,802,398	4,815,139
Tax paid		(1,217,580)	(983,809)
Tax refunded		66,440	38
Interest paid		(214,607)	(189,338)
Net cash from operating activities		3,436,651	3,642,030
<b>INVESTING ACTIVITIES</b>			
Interest received		41,496	2,527
Purchase of property, plant and equipment	A	(297,838)	(692,276)
Proceeds from disposal of property, plant and equipment		52,831	61,000
Placement of fixed deposit pledged to a licensed bank		(540,000)	-
Net cash used in investing activities		(743,511)	(628,749)

**BABA ECO GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEARS ENDED 31 OCTOBER 2017 AND 2016 (CONT'D)**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		RM	RM
<b>FINANCING ACTIVITIES</b>			
Net drawdown/(repayments) of term loan		658,397	(49,905)
Dividend paid		(3,000,000)	(250,000)
Advances from Directors		19,429	28,221
Repayments of finance lease liabilities		(337,600)	(379,100)
		<hr/>	<hr/>
Net cash used in financing activities		(2,659,774)	(650,784)
<b>CASH AND CASH EQUIVALENTS</b>			
Net changes		33,366	2,362,497
Effects of foreign exchange		154,381	127,228
At the beginning of financial year		6,366,361	3,876,636
		<hr/>	<hr/>
At the end of financial year	<b>B</b>	<u>6,554,108</u>	<u>6,366,361</u>

**NOTES TO COMBINED STATEMENTS OF CASH FLOWS****A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

The combining entities acquired property, plant and equipment with aggregate cost of RM297,838 (2016: RM879,476) of which cash payment of RM297,838 (2016: RM692,276) were made and RMNil (2016: RM187,200) were acquired by means of finance lease arrangements.

**B. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the combined statements of cash flows comprises the following:-

	<u>2017</u>	<u>2016</u>
	RM	RM
Cash and bank balances (Note 11)	6,554,108	6,449,610
Fixed deposit with a licensed bank (Note 10)	552,150	-
Bank overdrafts (Note 14)	-	(83,249)
	<hr/>	<hr/>
	7,106,258	6,366,361
Less: Fixed deposit pledged with a licensed bank (Note 10)	(552,150)	-
	<hr/>	<hr/>
	<u>6,554,108</u>	<u>6,366,361</u>

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



**BABA ECO GROUP BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

**1.1 Introduction**

The combined financial statements of Baba Eco Group Berhad (“the Company”) and its subsidiaries (“the combining entities”) have been prepared by the Directors for inclusion in the Information Memorandum in connection with the listing of and quotation for the enlarged issued and paid-up share capital of the Company on the Leading Entrepreneur Accelerator Platform (“LEAP Market”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), and shall not be relied on for any other purposes.

For the purpose of the proposed listing, the Company had executed the acquisition of the entire equity interest in Kean Beng Lee Industries (M) Sdn. Bhd. and Era-I Enterprise (M) Sdn. Bhd. for a total consideration of RM16,883,000 and RM2,839,000 respectively, which was satisfied in full by the allotment and issuance of 168,830,000 and 28,390,000 new ordinary shares of RM0.10 each respectively (“Proposed Acquisitions”).

The listing scheme of the Company on the LEAP Market of Bursa Securities entails the proposed excluded issue of 40,600,000 ordinary shares of the Company at an indicative price of RM0.13 per share (“Proposed Excluded Issue”), representing 17.07% of the enlarged issued and paid-up share capital of the Company.

Upon completion of the Proposed Acquisitions and Proposed Excluded Issue, the Company would seek the listing of and quotation for its entire issued and paid-up share capital of RM25,000,002 comprising 237,820,020 ordinary shares on the LEAP Market of Bursa Securities (“Proposed Listing”).

**1.2 Corporate information**

Baba Eco Group Sdn. Bhd. was a private limited liability company, incorporated on 19 February 2018 and domiciled in Malaysia. On 27 June 2018, it was converted into a public limited company and assumed its present name of Baba Eco Group Berhad.

The registered office of the Company is located at 39, Salween Road, 10050 Georgetown, Penang. The principal place of business of the Company is located at No. 1384, Atas Lot 841, Mk. 1, Jalan Tasek, 14120 Simpang Ampat, Penang.

The principal activity of the Company is that of investment holding. The principal activities of the combining entities are disclosed in Note 32 to the Combined Financial Statements. There have been no significant changes in the nature of these activities during the financial years ended 31 October 2016 and 31 October 2017.

## **2. BASIS OF PREPARATION**

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. 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 combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of the common controlled entities are included in the financial statements from the day that control commences until the date that control ceases.

The combined financial statements of the combining entities for the relevant period were prepared in a manner similar to the “pooling-of-interest” method, as if the entities within the combining entities 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 the entities within the combining entities, if later. Such manner of presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant period.

These combined financial statements combine the audited financial statements of Kean Beng Lee Industries (M) Sdn. Bhd. and Era-I Enterprise (M) Sdn. Bhd. as at 1 November 2015, 31 October 2016 and 31 October 2017 and for the financial years ended 31 October 2016 and 31 October 2017. The audited financial statements of Baba Eco Group Berhad have not been presented in these combined financial statements as it is incorporated after the financial year ended 31 October 2017 on 19 February 2018 and converted to a public limited company on 27 June 2018 to facilitate the Proposed Listing.

The combined financial statements have been prepared as if the combining entities have operated as a single economic entity throughout financial years ended 31 October 2016 and 31 October 2017 and have been prepared using financial information obtained from the records of the combining entities during the reporting years.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the Proposed Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting years.

### **2.1 Statement of compliance**

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”).

### **2.2 Basis of measurement**

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

**2. BASIS OF PREPARATION (CONT'D)**

**2.2 Basis of measurement (cont'd)**

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the combining entities.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market 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.

The combining entities use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure for value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the combining entities determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting years.

For the purpose of fair value disclosures, the combining entities have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

**2. BASIS OF PREPARATION (CONT'D)**

**2.3 Functional and presentation currency**

Items included in the financial statements of each of the combining entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the combining entities is Ringgit Malaysia ("RM"). The combined financial statements are presented in RM which is the functional and presentation currency of the combining entities. All financial information is presented in RM and all values are rounded to the nearest RM except when otherwise stated.

**2.4 Adoption of amendments/Improvements to MFRSs**

The combining entities have consistently applied the accounting policies set out in Note 3 to all periods presented in these combined financial statements.

At the beginning of the current financial year, the combining entities adopted amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 November 2016.

Initial application of the amendments/improvements to the standards did not have material impact to the combined financial statements of the combining entities.

**2.5 Standards issued but not yet effective**

At the date of authorisation of these combined financial statements, certain new standards, amendments and interpretations to existing standards have been published by MASB but are not yet effective and have not been early adopted by the combining entities.

Management anticipates that all relevant pronouncements will be adopted in the combining entities' accounting policies for the first period beginning after the effective date of the pronouncement.

**2. BASIS OF PREPARATION (CONT'D)**

**2.5 Standards issued but not yet effective (cont'd)**

The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the combined financial statements of the combining entities except as mentioned below:

**MFRS 9 Financial instruments**

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new “expected credit loss model” under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The combining entities are currently examining the financial impact of adopting MFRS 9.

**MFRS 15 Revenue from contracts with customers**

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programmes, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue – Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of MFRS 15 will result in a change in accounting policy. The combining entities are currently assessing the financial impact of adopting MFRS 15 and plans to adopt the new standard on the required effective date.

**MFRS 16 Leases**

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a “right-of-use” asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to be increase substantially.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Standards issued but not yet effective (cont'd)

#### **MFRS 16 Leases (cont'd)**

MFRS 16 also:

- Changes the definition of a lease,
- Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods,
- Changes the accounting for sale and leaseback arrangements,
- Largely retains MFRS 117's approach to lessor accounting, and
- Introduces new disclosure requirements.

The adoption of MFRS 16 will result in a change in accounting policy. The combining entities are currently assessing the financial impact of adopting MFRS 16.

### 2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the combined financial statements. They affect the application of the combining entities' accounting policies and reported amounts of assets, liabilities, income and expenses and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

#### 2.6.1 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### **Revaluation of property, plant and equipment**

The combining entities measure its freehold land and buildings at deemed cost being the revalued amount with changes in fair value being recognised in retained earnings. The combining entities engaged an independent valuation specialist to determine the fair values as at the date of transition to MFRSs.

The carrying amount of the freehold land and buildings at the end of the financial year are disclosed in Note 4 to the Combined Financial Statements.

**2. BASIS OF PREPARATION (CONT'D)**

**2.6 Significant accounting estimates and judgements (cont'd)**

**2.6.1 Estimation uncertainty (cont'd)**

**Useful lives of depreciable assets**

The management estimates the useful lives of the property, plant and equipment to be 5 to 50 years and reviews the useful lives of depreciable assets at each reporting date. The management assesses that the useful lives represent the expected utility of the assets to the combining entities. Actual results, however, may vary due to changes in the expected level of usage and developments, resulting in adjustment to the combining entities' assets.

The management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimation hence it would not result in material variance in the combining entities' profit for the financial year.

The carrying amount of the combining entities' property, plant and equipment at the end of the reporting date is disclosed in Note 4 to the Combined Financial Statements.

**Inventories**

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The carrying amount of the combining entities' inventories at the end of the reporting year is disclosed in Note 6 to the Combined Financial Statements.

**Impairment of loans and receivables**

The combining entities assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the combining entities consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

The carrying amount of the combining entities' receivables at the end of the reporting date is disclosed in Notes 7, 8 and 9 to the Combined Financial Statements.

**2. BASIS OF PREPARATION (CONT'D)**

**2.6 Significant accounting estimates and judgements (cont'd)**

**2.6.1 Estimation uncertainty (cont'd)**

**Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the combining entities' assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

**Income taxes**

Significant estimation is involved in determining the combining entities' provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The combining entities recognise liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

**Fair value of financial instruments**

The fair value of financial instruments is based on active market quotes. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting year.



**2. BASIS OF PREPARATION (CONT'D)**

**2.6 Significant accounting estimates and judgements (cont'd)**

**2.6.2 Significant management judgement**

The following is the significant management judgement in applying the accounting policies of the combining entities that has the most significant effect on the Combined Financial Statements:

**Leases**

In applying the classification of leases in MFRS 117, management considers some of its leases of motor vehicles and plant and machineries as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred in accordance with MFRS 117 Leases.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The combining entities applied the significant accounting policies, as summarised below, consistently throughout all years presented in the combined financial statements, unless otherwise stated.

**3.1 Basis of consolidation**

**3.1.1 Common control business combination**

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before or after the business combination, and that control is not transitory.

For such common control business combinations, the merger accounting principles are used to account for the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

Under the merger method of accounting, the results of combining entities are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the end of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference are classified and presented as movement in other capital reserves.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.1 Basis of consolidation (cont'd)**

**3.1.1 Common control business combination (cont'd)**

The effect of all transactions and balances between the combining entities, whether occurring before or after the combination, are eliminated in preparing the combined financial statements.

**3.2 Property, plant and equipment**

All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the combining entities and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful lives. Freehold land is not depreciated but is subject to impairment test if there is indication of impairment. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Buildings	2%
Mould, tools and equipment	10%
Plant and machinery	10%
Motor vehicles	20%
Furniture and fittings, air conditioner and electrical installation	8%-10%
Office equipment, computer and tele-communication equipment	10%
Container	10%
Equipment and infrastructure	10%
Renovation	10%
Signboard	10%

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.2 Property, plant and equipment (cont'd)

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

#### 3.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

##### 3.3.1 Finance lease

Leases in terms of which the combining entities assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the combining entities will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

##### 3.3.2 Operating lease

Leases, where the combining entities does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the combined statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they are incurred.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.4 Impairment of non-financial assets**

The combining entities assess at each reporting date whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

#### **3.5 Financial instruments**

Financial assets and financial liabilities are recognised when the combining entities become a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:-

##### **3.5.1 Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition :-

- (a) loans and receivables;
- (b) financial assets at fair value through profit or loss;
- (c) held to maturity investments; and
- (d) available-for-sale financial assets.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.5 Financial instruments (cont'd)**

**3.5.1 Financial assets (cont'd)**

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset is derecognised when, and only when the contractual right to receive cash flows from the asset has expired or when the financial assets is transferred to another party without retaining control or substantially all risks and rewards of the asset has been transferred.

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 equity is recognised in profit or loss.

At the reporting date, the combining entities carries loans and receivables and financial assets at fair value through profit or loss on its combined statements of financial position.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The combining entities' cash and cash equivalents, trade and most of the other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.5 Financial instruments (cont'd)**

**3.5.1 Financial assets (cont'd)**

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments (including separated embedded derivatives) which are acquired principally for the purpose of selling in the near term fall into this category.

Subsequent to initial recognition, assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivatives financial instruments are determined by reference to active market transactions or using a valuation technique where no market exists. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on settlement date.

**3.5.2 Financial liabilities**

After the initial recognition, financial liabilities are classified as:-

- (a) financial liabilities at fair value through profit or loss;
- (b) other financial liabilities measure at amortised cost; and
- (c) financial guarantee contracts.

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 of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

At reporting date, the combining entities carried only other financial liabilities on its combined statements of financial position.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.5 Financial instruments (cont'd)

##### 3.5.2 Financial liabilities (cont'd)

###### **Other financial liabilities measured at amortised cost**

The combining entities' financial liabilities include borrowings, trade and other payables, finance lease liabilities and amount due to Directors.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### 3.5.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 3.6 Impairment of financial assets

The combining entities assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

###### **Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the combining entities consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the combining entities' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.6 Impairment of financial assets (cont'd)**

**Trade and other receivables and other financial assets carried at amortised cost (cont'd)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**3.7 Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

**3.8 Inventories**

Inventories comprises raw materials, work-in-progress, manufactured goods and trading goods which are stated at the lower of cost and net realisable value.

Inventories are determined on weighted average basis. Cost of raw materials and trading goods includes invoices value of goods purchased and expenditure incurred in acquiring the inventories. Cost of manufactured goods and work-in-progress comprises raw materials, direct labour and an appropriate proportion of production overheads which include expenditure incurred in bringing them to their existing location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in profit or loss in the period in which it occurs.



**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposit with a licensed bank and bank overdrafts which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown in current liabilities in the combined statements of financial position.

For the purpose of the combined statements of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting year are classified as non-current assets.

**3.10 Equity, reserves and dividend payments**

An equity instrument is any contract that evidences a residual interest in the assets of the combining entities after deducting all of its liabilities.

Ordinary shares are equity instruments.

Retained earnings include all current financial year and prior financial years retained profits.

Interim dividends are simultaneously proposed and declared, because the articles of association of the combining entities grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

All transactions with owners of the combining entities are recorded separately within equity.

**3.11 Provisions**

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the combining entities can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.11 Provisions (cont'd)**

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **3.12 Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the combined statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

#### **3.13 Borrowing costs**

Borrowing costs are recognised as an expense in profit or loss in the year in which they are incurred. Borrowing costs consist of interest and other costs that the combining entities incurred in connection with the borrowing of funds.

#### **3.14 Employee benefits**

##### **3.14.1 Short term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the combining entities. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by the employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.14 Employee benefits (cont'd)**

**3.14.2 Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the combining entities pay fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the combining entities make such contributions to the Employees Provident Fund ("EPF").

**3.15 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the combining entities and the amount of revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

**3.15.1 Sale of goods**

Revenue relating to sale of goods is recognised net of sales returns and discount upon the transfer of significant risk and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**3.15.2 Rental income**

Rental income is recognised on accrual basis unless collectability is in doubt.

**3.15.3 Interest income**

Interest income is recognised in the profit or loss on time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the combining entities.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.16 Tax expense**

**3.16.1 Current tax**

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised in financial position as liability (or asset) to the extent that it is unpaid (or refundable). Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

**3.16.2 Deferred tax**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.17 Related parties

A related party is a person or entity that is related to the combining entities. A related party transaction is a transfer of resources, services or obligations between the combining entities and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the combining entities if that person:
  - (i) has control or joint control over the combining entities; or
  - (ii) has significant influence over the combining entities; or
  - (iii) is a member of the key management personnel of the combining entities.
  
- (b) An entity is related to the combining entities if any of the following conditions applies:
  - (i) the entity and the combining entities are members of the same group; or
  - (ii) one entity is an associate or joint venture of the other entity; or
  - (iii) both entities are joint ventures of the same third party; or
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
  - (v) the entity is a post-employment benefit plan for the benefits of employees of either the combining entities or an entity related to the combining entities; or
  - (vi) the entity is controlled or jointly-controlled by a person identified in (a) above; or
  - (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the combining entities; or
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the combining entities.

#### 3.18 Goods and Services Tax ("GST")

GST is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the combining entities paid on purchases of business inputs can be deducted from output GST.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.18 Goods and Services Tax ("GST") (cont'd)**

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:-

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the customs is included as part of receivables or payables in the combined statements of financial position.

**3.19 Operating segment**

An operating segment is a component of the combining entities that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the combining entities' other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Majority of the operations of the combining entities are involved in manufacturing and trading of flower pots, garden accessories, planting soils, moulding products and planting of vegetables.

Segment revenues, expenses and result include transfer between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity in negotiated term. These transfers are eliminated in combined profit or loss.

**3.20 Earnings per ordinary share**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the net profit attributable to common controlling shareholders by the weighted average number of shares in issue.

Diluted EPS is calculated by dividing the net profit for the year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted EPS is not applicable as the combining entities do not have potential dilutive equity instruments that would give a diluted effect to the basic EPS.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Mould, tools and equipment RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings, air conditioner and electrical installation RM	Office equipment, computer and tele- communication equipment RM	Container RM	Equipment and infrastructure RM	Renovation RM	Signboard RM	Total RM
<b>Cost</b>												
At 1.11.2015	8,200,000	4,780,000	4,838,699	3,517,748	1,190,178	501,848	1,319,344	15,100	199,419	402,544	4,900	24,969,780
Additions	-	-	178,749	74,230	328,000	50,000	125,566	-	106,461	16,470	-	879,476
Disposals	-	-	-	(6,600)	(223,043)	-	-	-	-	-	-	(229,643)
At 31.10.2016	8,200,000	4,780,000	5,017,448	3,585,378	1,295,135	551,848	1,444,910	15,100	305,880	419,014	4,900	25,619,613
Additions	-	-	20,200	106,130	-	1,037	167,505	-	-	2,966	-	297,838
Disposals	-	-	-	-	(148,450)	-	-	-	-	-	-	(148,450)
Written off	-	-	-	-	-	-	(599)	-	-	-	-	(599)
At 31.10.2017	8,200,000	4,780,000	5,037,648	3,691,508	1,146,685	552,885	1,611,816	15,100	305,880	421,980	4,900	25,768,402
<b>Accumulated depreciation</b>												
At 1.11.2015	-	-	4,278,721	2,163,684	1,011,828	467,252	867,292	8,310	76,240	81,523	2,587	8,957,437
Charge for the financial year	-	95,600	99,863	194,906	123,690	9,939	86,089	1,510	25,359	39,181	249	676,386
Disposals	-	-	-	(5,280)	(223,041)	-	-	-	-	-	-	(228,321)
At 31.10.2016	-	95,600	4,378,584	2,353,310	912,477	477,191	953,381	9,820	101,599	120,704	2,836	9,405,502
Charge for the financial year	-	95,600	107,535	197,906	144,242	29,873	97,378	1,510	26,459	22,291	250	723,044
Disposals	-	-	-	-	(148,447)	-	-	-	-	-	-	(148,447)
Written off	-	-	-	-	-	-	(5)	-	-	-	-	(5)
At 31.10.2017	-	191,200	4,486,119	2,551,216	908,272	507,064	1,050,754	11,330	128,058	142,995	3,086	9,980,094
<b>Net carrying amount</b>												
At 31.10.2017	8,200,000	4,588,800	551,529	1,140,292	238,413	45,821	561,062	3,770	177,822	278,985	1,814	15,788,308
At 31.10.2016	8,200,000	4,684,400	638,864	1,232,068	382,658	74,657	491,529	5,280	204,281	298,310	2,064	16,214,111
At 1.11.2015	8,200,000	4,780,000	559,978	1,354,064	178,350	34,596	452,052	6,790	123,179	321,021	2,313	16,012,343

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(a) Net carrying amount of assets financed under finance lease arrangements.

	<u>31.10.2017</u>	<u>31.10.2016</u>	<u>1.11.2015</u>
	RM	RM	RM
Motor vehicles	159,470	279,714	178,338
Mould, tools and equipment	-	-	164,500
Plant and machinery	<u>675,918</u>	<u>765,910</u>	<u>1,154,903</u>
	<u>835,388</u>	<u>1,045,624</u>	<u>1,497,741</u>

(b) Net carrying amount of assets pledged to licensed banks as security for banking facilities granted.

	<u>31.10.2017</u>	<u>31.10.2016</u>	<u>1.11.2015</u>
	RM	RM	RM
Freehold land	8,200,000	8,200,000	8,200,000
Buildings	<u>4,588,800</u>	<u>4,684,400</u>	<u>4,780,000</u>
	<u>12,788,800</u>	<u>12,884,400</u>	<u>12,980,000</u>

5. **OTHER INVESTMENT**

	<u>31.10.2017</u>	<u>31.10.2016</u>	<u>1.11.2015</u>
	RM	RM	RM
Financial asset at fair value through profit or loss:-			
<u>Non-current asset</u>			
Unquoted investment in unit trusts	<u>666,985</u>	<u>645,955</u>	<u>624,280</u>
Market value of unquoted investment in unit trusts	<u>666,985</u>	<u>645,955</u>	<u>624,280</u>



6. INVENTORIES

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Raw materials	1,041,334	922,299	808,418
Work-in-progress	102,208	77,178	92,277
Finished goods	742,065	622,004	526,072
Trading goods	<u>1,075,320</u>	<u>987,120</u>	<u>1,056,876</u>
	<u>2,960,927</u>	<u>2,608,601</u>	<u>2,483,643</u>
<u>Recognised in profit or loss:-</u>			
Inventories recognised in cost of sales	<u>9,203,600</u>	<u>8,953,019</u>	<u>9,397,483</u>

7. TRADE RECEIVABLES

(a) Included in trade receivables are amounts due from companies of persons connected with the Directors of RM3,183 (31.10.2016: RM778 and 1.11.2015: RM895). Trade receivables are non-interest bearing and the normal trade credit terms granted to customers are ranging from 14 to 120 (31.10.2016: 14 to 120 and 1.11.2015: 14 to 120) days. They are recognised at their original invoice amount which represent their fair values on initial recognition.

(b) The foreign currency risk exposure of trade receivables are as follows:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
United States Dollar ("USD")	2,116	157,737	89,029
Singapore Dollar ("SGD")	<u>792,781</u>	<u>584,304</u>	<u>918,794</u>

(c) The ageing analysis of trade receivables are as follows:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Not past due	4,027,874	3,504,798	4,308,874
Past due but not impaired			
- 0-30 days	507,426	692,245	511,166
- 31-60 days	217,943	158,282	171,680
- 61-90 days	40,807	91,265	82,582
- More than 91 days	<u>128,356</u>	<u>71,280</u>	<u>129,942</u>
	<u>4,922,406</u>	<u>4,517,870</u>	<u>5,204,244</u>

7. **TRADE RECEIVABLES (CONT'D)**

(c) The ageing analysis of trade receivables are as follows (cont'd):-

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment records with the combining entities. None of the combining entities's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Financial assets that are past due but not impaired

Trade receivables amounting to RM894,532 (31.10.2016: RM1,013,072 and 1.11.2015: RM895,370) that were due at the reporting date but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The Directors are of the opinion that the receivables are collectible in view of long term business relationships with the customers. These receivables are unsecured.

Financial assets that are impaired

There are no trade receivables of the combining entities that are impaired.

(d) Information on financial risk of trade receivables is disclosed in Note 29 to the Combined Financial Statements.

8. **OTHER RECEIVABLES**

	<u>31.10.2017</u>	<u>31.10.2016</u>	<u>1.11.2015</u>
	RM	RM	RM
Non-trade receivables	250,303	186,243	349,579
Deposits	101,542	70,261	107,995
Prepayments	67,669	59,771	80,498
GST receivable	1,526	-	-
	<u>421,040</u>	<u>316,275</u>	<u>538,072</u>

Included in non-trade receivables is an amount of RM20,200 (31.10.2016: RM37,340 and 1.11.2015: Nil) due from a person connected with Directors, the amount is unsecured, non-interest bearing and repayable on demand.

9. **AMOUNT DUE FROM/(TO) DIRECTORS**

The amount due from/(to) Directors are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

10. **FIXED DEPOSIT WITH A LICENSED BANK**

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Fixed deposit with a licensed bank	<u>552,150</u>	<u>-</u>	<u>-</u>

Fixed deposit with a licensed bank amounting to RM552,150 (31.10.2016: Nil and 1.11.2015: Nil) is pledged as a security for banking facilities granted to the combining entities and hence is not available for general use.

The average effective interest rate per annum for fixed deposit with a licensed bank is 3% (31.10.2016 and 1.11.2015: Nil).

11. **CASH AND BANK BALANCES**

The foreign currency risk exposure of cash and bank balances is as follows:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
United States Dollar ("USD")	<u>2,176,977</u>	<u>2,545,420</u>	<u>1,760,075</u>

12. **SHARE CAPITAL**

	Kean Beng Lee Industries (M) <u>Sdn. Bhd.</u>	Era-I Enterprise (M) <u>Sdn. Bhd.</u>	<u>Total</u>
<b>Issued and fully paid-up:-</b>			
<b>Number of ordinary shares:-</b>	Unit	Unit	Unit
At 31.10.2017/31.10.2016/ 1.10.2015	<u>800,000</u>	<u>100,000</u>	<u>900,000</u>
<b>Amount:-</b>	RM	RM	RM
At 31.10.2017/31.10.2016/ 1.10.2015	<u>800,000</u>	<u>100,000</u>	<u>900,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the combining entities. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the combining entities' residual assets.

13. FINANCE LEASE LIABILITIES

	<u>31.10.2017</u>	<u>31.10.2016</u>	<u>1.11.2015</u>
	RM	RM	RM
Minimum lease payments			
- Within 1 year	254,382	377,312	424,912
- Between 2 to 5 years	<u>208,790</u>	<u>463,172</u>	<u>630,770</u>
	463,172	840,484	1,055,682
Less: Interest-in-suspense	<u>(29,555)</u>	<u>(69,267)</u>	<u>(92,565)</u>
Present value of finance lease liabilities	<u>433,617</u>	<u>771,217</u>	<u>963,117</u>
Present value of finance lease liabilities			
- Within 1 year	233,925	337,600	375,827
- Between 2 to 5 years	<u>199,692</u>	<u>433,617</u>	<u>587,290</u>
	<u>433,617</u>	<u>771,217</u>	<u>963,117</u>

The effective interest of finance lease liabilities is charged at the rates ranging from 4.37% to 6.97% (31.10.2016: 4.37% to 6.97% and 1.11.2015: 4.37% to 7.61%) per annum.

14. BORROWINGS

	<u>31.10.2017</u>	<u>31.10.2016</u>	<u>1.11.2015</u>
	RM	RM	RM
<u>Current</u>			
<u>Secured:-</u>			
Bankers' acceptances	2,386,000	2,232,000	2,420,000
Bank overdrafts	-	83,249	71,176
Term loan (i)	81,605	-	-
Term loan (ii)	<u>-</u>	<u>-</u>	<u>49,905</u>
	<u>2,467,605</u>	<u>2,315,249</u>	<u>2,541,081</u>
<u>Non-current</u>			
<u>Secured:-</u>			
Term loan (i)			
- Between 2 to 5 years	402,795	-	-
- More than 5 years	<u>173,997</u>	<u>-</u>	<u>-</u>
	<u>576,792</u>	<u>-</u>	<u>-</u>
	<u>3,044,397</u>	<u>2,315,249</u>	<u>2,541,081</u>

14. **BORROWINGS (CONT'D)**

Term loan (i) of the combining entities is secured by means of the following:-

- a) Joint and several guarantee by the Directors of the combining entities;
- b) Legal charge over a building as disclosed in Note 4 to the Combined Financial Statements; and
- c) Fixed deposits as disclosed in Note 10 to the Combined Financial Statements.

Term loan (ii) and bankers' acceptance of the combining entities are secured by means of the following:-

- a) Joint and several guarantee by the Directors of the combining entities; and
- b) Legal charge over a building as disclosed in Note 4 to the Combined Financial Statements.
- c) 3<sup>rd</sup> party legal charge over a freehold land registered in the name of the Directors.

Bank overdrafts of the combining entities are secured by means of the following:-

- a) Joint and several guarantee by the Directors of the combining entities; and
- b) Legal charge over a building as disclosed in Note 4 to the Combined Financial Statements.

The effective interest of term loans are charged at the rate of 7.81% (31.10.2016 and 1.11.2015: 5.60%) per annum and term loan (i) is repayable by 84 monthly installments while term loan (ii) is repayable by 120 monthly installments.

The effective interest of bank overdrafts is charged at the rate of 7.92% (31.10.2016 and 1.11.2015: 7.85%) per annum and repayable upon demand.

The effective interest of bank acceptances is charged at the rates ranging from 4.58% to 4.78% (31.10.2016: 4.45% to 4.78% and 1.11.2015: 4.33% to 4.45%) per annum and is repayable upon the maturity date within 120 days.

15. **DEFERRED TAX LIABILITIES**

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Brought forward	1,332,164	1,339,955	408,457
Recognised in profit or loss (Note 20)	<u>(50,000)</u>	<u>(7,791)</u>	<u>931,498</u>
Carried forward	<u>1,282,164</u>	<u>1,332,164</u>	<u>1,339,955</u>

15. **DEFERRED TAX LIABILITIES (CONT'D)**

The components of deferred tax liabilities is made up of temporary differences arising from:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Carrying amount of qualifying property, plant and equipment in excess of its tax base	1,366,164	1,410,164	1,396,955
Unabsorbed capital allowances	<u>(84,000)</u>	<u>(78,000)</u>	<u>(57,000)</u>
	<u>1,282,164</u>	<u>1,332,164</u>	<u>1,339,955</u>

16. **TRADE PAYABLES**

Trade payables are unsecured, non-interest bearing and the normal credit term granted by the suppliers ranging from 30 to 60 (31.10.2016 and 1.11.2015: 30 to 60) days.

17. **OTHER PAYABLES**

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Accruals	719,637	557,082	626,846
Deposits received	3,936	13,578	52,062
GST payable	14,404	39,252	13,655
Non-trade payables	<u>1,456,182</u>	<u>1,372,033</u>	<u>1,345,928</u>
	<u>2,194,159</u>	<u>1,981,945</u>	<u>2,038,491</u>

Included in non-trade payables is an amount of RM905,000 (31.10.2016: RM905,000 and 1.11.2015: RM915,000) due to a company of persons connected with the Directors and an amount of RM50 (31.10.2016: RM50 and 1.11.2015: RM109,373) due to persons connected with the Directors. These amounts are unsecured, non-interest bearing and repayable on demand.

18. **REVENUE**

Revenue represents sale of goods, net of discounts and returns.

19. **PROFIT BEFORE TAX**

Profit before tax has been determined after charging/(crediting), amongst other, the followings:-

	<u>2017</u> RM	<u>2016</u> RM
(Gain)/Loss on foreign exchange		
- Unrealised	(72,835)	(78,162)
- Realised	(985,554)	122,896
Bad debts written off	-	473
Depreciation	723,044	676,386
Gain on disposal of property, plant and equipment	(52,828)	(59,678)
Property, plant and equipment written off	594	-
Interest expense		
- bankers' acceptances	102,494	104,060
- term loan	34,305	1,137
- bank overdrafts	181	4,245
- finance lease liabilities	39,847	50,505
- commitment fees	37,780	29,391
Rental expenses	75,218	164,994
Rental income	(24,000)	(24,000)
Fair value gain on other investment	(21,030)	(21,675)
Interest income	<u>(53,646)</u>	<u>(2,527)</u>

20. **TAX EXPENSE**

	<u>2017</u> RM	<u>2016</u> RM
Current year provision	1,064,000	1,125,060
Over provision in prior year	(113,117)	(37,149)
Deferred tax (Note 15)	<u>(50,000)</u>	<u>(7,791)</u>
	<u>900,883</u>	<u>1,080,120</u>

Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated assessable profit for the financial year.

20. **TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the combining entities is as follows:-

	<u>2017</u> RM	<u>2016</u> RM
Profit before tax	<u>4,295,764</u>	<u>3,917,414</u>
Tax at Malaysian statutory tax rate of 24%	1,030,983	940,179
Tax effects in respect of:-		
Expenses not deductible for tax	191,018	272,441
Income not subject to tax	(148,001)	(45,351)
Over provision of tax expense in prior year	(113,117)	(37,149)
Tax effect on reduction in tax rate to 18% (2016: 19%) for the first tranche of chargeable income	<u>(60,000)</u>	<u>(50,000)</u>
	<u>900,883</u>	<u>1,080,120</u>

However, the above amounts are subject to the approval of the Inland Revenue Board of Malaysia.

21. **EARNINGS PER SHARE**

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial years attributable to common controlling shareholders of the combining entities over the weighted average number of ordinary shares in issue of the combining entities during the financial years as follows:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM
Net profit attributable to owners of the combining entities	<u>3,394,881</u>	<u>2,837,294</u>
Weighted average number of ordinary shares	<u>900,000</u>	<u>900,000</u>
Basic earnings per share (sen)	<u>377.21</u>	<u>315.25</u>

(b) Diluted earnings per share

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting year.



22. **DIVIDENDS**

	<u>2017</u> RM	<u>2016</u> RM
<u>In respect of the financial year ended</u>		
<u>31 October 2016:-</u>		
Interim single tier dividend of RM0.28 per share declared on 12 November 2015 <sup>a</sup>	-	250,000
<u>In respect of the financial year ended</u>		
<u>31 October 2017:-</u>		
Interim single tier dividend of RM1.11 per share declared on 24 October 2017 <sup>b</sup>	1,000,000	-
Interim single tier dividend of RM3.33 per share declared on 21 November 2016 <sup>c</sup>	3,000,000	-
Interim single tier dividend of RM2.44 per share declared on 20 October 2017 <sup>d</sup>	<u>2,200,000</u>	<u>-</u>
	<u>6,200,000</u>	<u>250,000</u>

The dividends were declared by the following combining entities:-

- <sup>a</sup> Declared by Era-I Enterprise (M) Sdn. Bhd. on 12 November 2015 for RM2.50 per ordinary share of the combining entity.
- <sup>b</sup> Declared by Era-I Enterprise (M) Sdn. Bhd. on 25 October 2017 for RM10.00 per ordinary share of the combining entity.
- <sup>c</sup> Declared by Kean Beng Lee Industries (M) Sdn. Bhd. on 21 November 2016 for RM3.75 per ordinary share of the combining entity.
- <sup>d</sup> Declared by Kean Beng Lee Industries (M) Sdn. Bhd. on 20 October 2017 for RM2.75 per ordinary share of the combining entity.

23. **EMPLOYEE BENEFITS AND EXPENSES**

	<u>2017</u>	<u>2016</u>
	RM	RM
Salaries, bonus, overtime and allowances	4,665,343	4,242,460
Defined contribution plan	488,818	471,362
Social security contribution	46,656	42,243
Other benefits	970,241	860,028
	<u>6,171,058</u>	<u>5,616,093</u>

Employee benefits and expenses include Directors' remuneration as follows:-

**Directors' remuneration**

Salaries, bonus, overtime and allowances	346,693	341,703
Defined contribution plan	60,186	60,618
Social security contribution	2,486	2,103
Other benefits	59,804	25,080
	<u>469,169</u>	<u>429,504</u>

24. **MATERIAL LITIGATION**

Tenaga Nasional Berhad ("TNB") had via a writ of summons dated 28 May 2014 and statement of claim dated 22 May 2014 commenced a legal action against a combining entity for the alleged tempering with the electrical meter preventing it from recording the exact and precise electricity consumed by the combining entity.

The total amount claimed by TNB is for the sum of RM511,635.44 being the alleged back bills for the electricity consumed from November 2009 to 17 February 2012.

The combining entity had subsequently filed an application under Order 33 of the Rules of Court 2012 for the court to hear and dispose of the said matter on a question of law taking into consideration that TNB had failed, refused and neglected to comply with the condition precedent prior to commencing the civil suit against the combining entity and the court had on 10 July 2017 allowed the said application in favour of the combining entity.

TNB had filed an appeal to the Penang High Court under civil appeal no. PA-12ANCvC-29-07/2017 to appeal against the decision dated 10 July 2017. The high court had on 18 December 2017 dismissed the said appeal.

TNB had subsequently filed an appeal to the Court of Appeal under Court of Appeal Civil Appeal No.: P-04(IM)(NCvC)-9-01/2018 against the decision dated 18 December 2017.

24. MATERIAL LITIGATION (CONT'D)

The Court of Appeal has fixed 22 June 2018 for the parties to file their respective written submissions and to exchange the said submission.

The Court of Appeal has also fixed 27 June 2018 for case management to ensure that all the papers are in order prior to the hearing of the appeal which is fixed on 10 July 2018. The Court of Appeal had on 10 July 2018 allowed TNB's appeal with cost of RM5,000 and that the said matter has now been ordered to go for trial at the Sessions Court.

The combining entity's solicitor is of the opinion that the outcome of the lawsuit may be favourable to the combining entity due to, amongst others, the following reasons:

- (i) TNB had not issued a valid statutory notice in accordance with Section 38(4) of the Electricity Supply Act 1990 which is a condition precedent prior to TNB commencing any legal suit against the combining entity;
- (ii) It is impossible for any modification and/or tempering to the various cables and/or wiring concealed in the test terminal block, main meter and the test meter as the seals to the cover leading to the test terminal block remains intact and undisturbed; and
- (iii) TNB had failed to prove the basis of claiming RM511,635.44.

The Directors are of the opinion that there would not be any material liability as a result of the legal suits and no significant loss will result from this claim.

25. RELATED PARTY DISCLOSURES

(a) Related party transactions

	<u>2017</u> RM	<u>2016</u> RM
Dividends paid to Directors who were shareholders of the combining entities prior to the completion of the Proposed Acquisition	6,200,000	103,000
Dividends paid to shareholders of the combining entities	-	147,000
Sales to companies of persons connected with the Directors	13,743	1,916
Production overhead charged by a company of persons connected with the Directors	502,835	518,926
Purchase of equipment from a company of persons connected with the Directors	-	3,800
Rental income received from a company of persons connected with the Directors	<u>24,000</u>	<u>24,000</u>

25. **RELATED PARTY DISCLOSURES (CONT'D)**

- (b) Outstanding balances arising from related party transactions are disclosed in Notes 7, 8, 9 and 17 to the Combined Financial Statements.
- (c) Key management personnel is defined as the person having authority and responsibility for planning, directing and controlling the activities of the combining entities either directly or indirectly.

The combining entities has no other members of key management personnel other than the Board of Directors. Remuneration of key management personnel is disclosed as Directors' remuneration in Note 23 to the Combined Financial Statements.

26. **CAPITAL COMMITMENT**

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Authorised for and contracted for:-			
- Mould, tools and equipment	<u>80,772</u>	<u>1,727</u>	<u>-</u>

27. **OPERATING LEASE COMMITMENTS**

The future contractual operating lease commitments are as follows:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Within one year	53,740	54,910	115,790
Later than one year but not more than 5 years	<u>23,430</u>	<u>24,700</u>	<u>101,460</u>
	<u>77,170</u>	<u>79,610</u>	<u>217,250</u>

28. OPERATING SEGMENT

The combined entities are principally involved in the manufacturing and trading flower pots, gardening accessories, planting soils and moulding products and planting of vegetables.

The following summary describes the operations in each of the combining entities' reportable segments:-

- Manufacturing : Manufacturing and trading of biodegradable flower pots, planting media and other plastic-injection-moulding products
- Merchandising : Processing and trading of organic fertilisers and natural pesticides, as well as trading of gardening accessories, seeds and agricultural products

No operation segments have been aggregated to form the above reportable operating segments.

Performance is measured based on segment profit before tax, interest, depreciation. Segment profit is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operates within these industries.

Transfer prices between operating segments are on a negotiated basis in a similar manner to transactions with third parties.

	Note	Manufacturing RM	Merchandising RM	Adjustments and eliminations RM	Total RM
<b>2017</b>					
<b><u>Revenue</u></b>					
External revenue		19,333,603	6,082,835	-	25,416,438
Inter-segment revenue	A	7,805,053	2,342,073	(10,147,126)	-
Total revenue		<u>27,138,656</u>	<u>8,424,908</u>	<u>(10,147,126)</u>	<u>25,416,438</u>
<b><u>Results</u></b>					
Interest income		51,180	2,466	-	53,646
Finance costs		(171,042)	(43,565)	-	(214,607)
Depreciation		(623,656)	(99,388)	-	(723,044)
Other non-cash income/(expense)	B	121,183	24,916	-	146,099
Tax expense		(620,445)	(280,438)	-	(900,883)
Segment profit/(loss)	C	<u>2,322,662</u>	<u>1,072,219</u>	-	<u>3,394,881</u>

28. OPERATING SEGMENT (CONT'D)

	Note	Manufacturing RM	Merchandising RM	Adjustments and eliminations RM	Total RM
<b>2017 (cont'd)</b>					
<b><u>Assets</u></b>					
Additions to property, plant and equipment		286,355	11,483	-	297,838
Segment assets	D	19,495,130	13,234,037	(863,243)	31,865,924
<b><u>Liabilities</u></b>					
Segment liabilities	E	10,812,053	2,195,096	(863,243)	12,143,906
<b>2016</b>					
<b><u>Revenue</u></b>					
External revenue		18,707,554	6,113,952	-	24,821,506
Inter-segment revenue	A	7,760,747	2,496,354	(10,257,101)	-
Total revenue		26,468,301	8,610,306	(10,257,101)	24,821,506
<b><u>Results</u></b>					
Interest income		2,527	-	-	2,527
Finance costs		(148,820)	(40,518)	-	(189,338)
Depreciation		(579,398)	(96,988)	-	(676,386)
Other non-cash income	B	129,232	29,810	-	159,042
Tax expense		(827,193)	(252,927)	-	(1,080,120)
Segment profit/(loss)	C	2,167,709	669,585	-	2,837,294
<b><u>Assets</u></b>					
Additions to property, plant and equipment		842,476	37,000	-	879,476
Segment assets	D	19,147,079	11,849,763	(195,692)	30,801,150
<b><u>Liabilities</u></b>					
Segment liabilities	E	7,982,632	487,073	(195,692)	8,274,013

28. OPERATING SEGMENT (CONT'D)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the combined financial statements:-

A. Intersegment revenues are eliminated on combined financial statements.

B. Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the combined financial statements:-

	<u>2017</u> RM	<u>2016</u> RM
Bad debts written off	-	(473)
Property, plant and equipment written off	(594)	-
Gain on disposal of property, plant and equipment	52,828	59,678
Fair value gain on other investment	21,030	21,675
Unrealised gain on foreign exchange	72,835	78,162
	<u>146,099</u>	<u>159,042</u>

C. The following items are added to/(deducted from) segment profit to arrive at "profit after tax" presented in the combined statement of profit or loss and other comprehensive income:-

	<u>2017</u> RM	<u>2016</u> RM
Segment profit	3,555,842	3,024,105
Interest income	53,646	2,527
Finance costs	(214,607)	(189,338)
Profit after tax	<u>3,394,881</u>	<u>2,837,294</u>

D. The following items are added to segment assets to arrive at total assets reported in the combined statement of financial position.

	<u>2017</u> RM	<u>2016</u> RM
Segment assets	31,865,924	30,752,422
Tax recoverable	-	48,728
Total assets	<u>31,865,924</u>	<u>30,801,150</u>

E. The following items are added to segment liabilities to arrive at total liabilities reported in the combined statement of financial position.

	<u>2017</u> RM	<u>2016</u> RM
Segment liabilities	7,224,545	3,447,215
Deferred tax liabilities	1,282,164	1,332,164
Finance lease liabilities	433,617	771,217
Borrowings	3,044,397	2,315,249
Tax payable	159,183	408,168
Total liabilities	<u>12,143,906</u>	<u>8,274,013</u>

28. OPERATING SEGMENT (CONT'D)

Geographical information

Segment revenue is based on geographical location from which the sales transactions originated.

Segment assets are all based in Malaysia.

The following are revenue from external customers by geographical location of the combining entities' revenue:

	<u>2017</u> RM	<u>2016</u> RM
Revenue from external customers:-		
Malaysia	19,121,685	19,413,603
Singapore	2,589,228	2,571,523
Others	<u>3,705,525</u>	<u>2,836,380</u>
	<u>25,416,438</u>	<u>24,821,506</u>

Major customer

There is no major customer contributing to ten percent (10%) or more of total revenue of the combining entities.

29. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL");
- (c) Other liabilities measured at amortised cost ("AC").

	<b>Carrying amount</b> RM	<b>L&amp;R</b> RM	<b>FVTPL</b> RM	<b>AC</b> RM
<u>31.10.2017</u>				
<b>Financial assets</b>				
Trade receivables	4,922,406	4,922,406	-	-
Other receivables	351,845	351,845	-	-
Fixed deposit with a licensed bank	552,150	552,150	-	-
Other investment	666,985	-	666,985	-
Cash and bank balances	<u>6,554,108</u>	<u>6,554,108</u>	<u>-</u>	<u>-</u>
	<u>13,047,494</u>	<u>12,380,509</u>	<u>666,985</u>	<u>-</u>



29. **FINANCIAL INSTRUMENTS (CONT'D)**

**Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL")
- (c) Other liabilities measured at amortised cost ("AC").

	<u>Carrying amount</u> RM	<u>L&amp;R</u> RM	<u>FVTPL</u> RM	<u>AC</u> RM
<u>31.10.2017 (cont'd)</u>				
<b>Financial liabilities</b>				
Trade payables	1,786,907	-	-	1,786,907
Other payables	2,179,755	-	-	2,179,755
Amount due to Directors	3,243,479	-	-	3,243,479
Finance lease liabilities	433,617	-	-	433,617
Borrowings	3,044,397	-	-	3,044,397
	<u>10,688,155</u>	<u>-</u>	<u>-</u>	<u>10,688,155</u>
<u>31.10.2016</u>				
<b>Financial assets</b>				
Trade receivables	4,517,870	4,517,870	-	-
Other receivables	256,504	256,504	-	-
Other investment	645,955	-	645,955	-
Cash and bank balances	6,449,610	6,449,610	-	-
	<u>11,869,939</u>	<u>11,223,984</u>	<u>645,955</u>	<u>-</u>
<b>Financial liabilities</b>				
Trade payables	1,441,220	-	-	1,441,220
Other payables	1,942,693	-	-	1,942,693
Amount due to Directors	24,050	-	-	24,050
Finance lease liabilities	771,217	-	-	771,217
Borrowings	2,315,249	-	-	2,315,249
	<u>6,494,429</u>	<u>-</u>	<u>-</u>	<u>6,494,429</u>

29. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (d) Loans and receivables ("L&R");
- (e) Fair value through profit or loss ("FVTPL")
- (f) Other liabilities measured at amortised cost ("AC").

	<u>Carrying amount</u> RM	<u>L&amp;R</u> RM	<u>FVTPL</u> RM	<u>AC</u> RM
<u>1.11.2015</u>				
<b>Financial assets</b>				
Trade receivables	5,204,244	5,204,244	-	-
Other receivables	457,574	457,574	-	-
Amount due from				
Directors	4,171	4,171	-	-
Other investment	624,280	-	624,280	-
Cash and bank balances	<u>3,947,812</u>	<u>3,947,812</u>	<u>-</u>	<u>-</u>
	<u>10,238,081</u>	<u>9,613,801</u>	<u>624,280</u>	<u>-</u>
<b>Financial liabilities</b>				
Trade payables	1,736,778	-	-	1,736,778
Other payables	2,024,836	-	-	2,024,836
Finance lease liabilities	963,117	-	-	963,117
Borrowings	<u>2,541,081</u>	<u>-</u>	<u>-</u>	<u>2,541,081</u>
	<u>7,265,812</u>	<u>-</u>	<u>-</u>	<u>7,265,812</u>

**Financial risk management objectives and policies**

**Financial risks**

The combining entities are exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the combining entities' business whilst managing its risks. The combining entities operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

29. **FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management objectives and policies (cont'd)**

**Financial risks (cont'd)**

The main areas of financial risks faced by the combining entities and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) **Credit risk**

Credit risk is the risk of a financial loss to the combining entities if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The combining entities' exposure to credit risk is monitored on an ongoing basis. The credit risk is controlled by monitoring procedures. An internal credit review is conducted if the credit risk is material. The combining entities do not require collateral in respect of financial assets.

The areas where the combining entities are exposed to credit risk are as follows:-

**Receivables**

Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the combining entities' total credit exposure. The combining entities' portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

In respect of trade and other receivables, the combining entities are not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

The net carrying amount of receivables is considered a reasonable approximate of its fair value. The maximum exposure to credit risk is the carrying value of each class of receivables as disclosed in Notes 7, 8 and 9 to the Combined Financial Statements.

It is the combining entities' policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The combining entities do not offer credit terms without the approval of the head of credit control.

29. **FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management objectives and policies (cont'd)**

**Financial risks (cont'd)**

(a) **Credit risk (cont'd)**

**Receivables (cont'd)**

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the combining entities. The combining entities uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

**Amount due from Directors**

The company provides unsecured advances and loans to Directors. The maximum exposure to credit risk is represented by their carrying amounts in the combined statement of financial position.

**Cash and bank balances and fixed deposit with a licensed bank**

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) **Liquidity risk**

Liquidity risk is the risk that the combining entities will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, finance lease liabilities and borrowings, the combining entities maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The combining entities aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below:-

	Less than 1 year <u>RM</u>	2-5 years <u>RM</u>	More than 5 years <u>RM</u>	Total <u>RM</u>
<u>31.10.2017</u>				
<b>Non-derivative financial liabilities</b>				
Trade payables	1,786,907	-	-	1,786,907
Other payables	2,179,755	-	-	2,179,755
Amount due to Directors	3,243,479	-	-	3,243,479
Finance lease liabilities	254,382	208,790	-	463,172
Borrowings	<u>2,516,128</u>	<u>520,512</u>	<u>184,348</u>	<u>3,220,988</u>
Total undiscounted financial liabilities	<u>9,980,651</u>	<u>729,302</u>	<u>184,348</u>	<u>10,894,301</u>
<u>31.10.2016</u>				
<b>Non-derivative financial liabilities</b>				
Trade payables	1,441,220	-	-	1,441,220
Other payables	1,942,693	-	-	1,942,693
Amount due to Directors	24,050	-	-	24,050
Finance lease liabilities	377,312	463,172	-	840,484
Borrowings	<u>2,315,249</u>	<u>-</u>	<u>-</u>	<u>2,315,249</u>
Total undiscounted financial liabilities	<u>6,100,524</u>	<u>463,172</u>	<u>-</u>	<u>6,563,696</u>
<u>1.11.2015</u>				
<b>Non-derivative financial liabilities</b>				
Trade payables	1,736,778	-	-	1,736,778
Other payables	2,024,836	-	-	2,024,836
Finance lease liabilities	424,912	630,770	-	1,055,682
Borrowings	<u>2,542,218</u>	<u>-</u>	<u>-</u>	<u>2,542,218</u>
Total undiscounted financial liabilities	<u>6,728,744</u>	<u>630,770</u>	<u>-</u>	<u>7,359,514</u>

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities as at the reporting date.

29. **FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management objectives and policies (cont'd)**

**Financial risks (cont'd)**

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the combining entities' financial instruments will fluctuate because of changes in market interest rates.

The combining entities' fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The combining entities' variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The combining entities' interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the combining entities target a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The interest rate profile of the combining entities' significant interest-bearing financial instruments, based on carrying amounts as at the reporting date are as follows:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.1.2015</u> RM
<b>Fixed rate instruments</b>			
<u>Financial asset</u>			
Fixed deposit with a licensed bank	552,150	-	-
<u>Financial liabilities</u>			
Finance lease liabilities	(433,617)	(771,217)	(963,117)
Bankers' acceptances	<u>(2,386,000)</u>	<u>(2,232,000)</u>	<u>(2,420,000)</u>
Net financial liabilities	<u>(2,267,467)</u>	<u>(3,003,217)</u>	<u>(3,383,117)</u>
<b>Floating rate instruments</b>			
<u>Financial liabilities</u>			
Bank overdrafts	-	(83,249)	(71,176)
Term loans	<u>(658,397)</u>	<u>-</u>	<u>(49,905)</u>
Net financial liabilities	<u>(658,397)</u>	<u>(83,249)</u>	<u>(121,081)</u>

The combining entities do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the combining entities do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

29. **FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management objectives and policies (cont'd)**

**Financial risks (cont'd)**

(c) **Interest rate risk (cont'd)**

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (31.10.2016 and 1.11.2015: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Effect on profit for the financial year	<u>(1,646)</u>	<u>(208)</u>	<u>(303)</u>

(d) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The combining entities are exposed to foreign currency risk on trade receivables and cash and bank balances that are denominated in a currency other than the functional currency of the combining entities. The currencies giving rise to this risk are primarily USD and SGD.

The combining entities do not hedge the currency risk because the amounts are short term in nature.

Carrying amounts of the combining entities' exposure to foreign currency risk are as follows:-

	<u>USD</u> RM	<u>SGD</u> RM
<u>31.10.2017</u>		
Trade receivables	2,116	792,781
Cash and bank balances	2,176,977	-
	<u>2,179,093</u>	<u>792,781</u>
<u>31.10.2016</u>		
Trade receivables	157,737	584,304
Cash and bank balances	2,545,250	-
	<u>2,702,987</u>	<u>584,304</u>
<u>1.11.2015</u>		
Trade receivables	89,029	918,794
Cash and bank balances	1,760,075	-
	<u>1,849,104</u>	<u>918,794</u>

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

(d) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the combining entities' profit to a reasonable possible change in RM/USD exchange rate and the RM/SGD exchange rate in which 'all other things being equal'.

It assumes a +/- 1% (31.10.2016: 1% and 1.11.2015: 2%) change of the RM/USD exchange rate and a +/- 1% (31.10.2016: 1% and 1.11.2015: 2%) change of the RM/SGD exchange rate for the years ended is deemed possible. The percentage has been determined based on average market volatility in exchange rates in previous 12 months. The sensitivity analysis is based on the combining entities' foreign currency profile.

If the RM had strengthened against the USD and SGD, then the impact would be as follows:-

	Effect on profit for the <u>financial year</u> RM
<u>31.10.2017</u>	
- USD	(21,791)
- SGD	<u>(7,928)</u>
 <u>31.10.2016</u>	
- USD	(27,030)
- SGD	<u>(5,843)</u>
 <u>1.11.2015</u>	
- USD	(36,982)
- SGD	<u>(18,376)</u>

If RM financial had weakened against the USD and SGD then the impact to profit for the financial year would be the opposite effect.

Exposures to foreign exchange rate vary during the year depending on the amount outstanding. Nonetheless, the analysis above is considered to be representative of the combining entities' exposure to currency risk.



29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the combining entities' financial instruments will fluctuate because of changes in market prices (other than exchange or interest rates). Market price risk arises from the combining entities' investments in equity securities quoted in Bursa Malaysia and also the unit trust investments.

Management of the combining entities monitors the unit trust investments on a portfolio basis. Material investment within the portfolio are managed on an individual basis.

The carrying amount of the combining entities' financial assets subject to market risk are as follows:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Unit trust funds	<u>666,985</u>	<u>645,955</u>	<u>624,280</u>

Market price risk sensitivity analysis

This analysis assumes that all other variables remain constant and changes of 0.38% (31.10.2016: 0.05% and 1.11.2015: 0.86%) in the market price in correlation with FTSE Bursa Malaysia KLCI (FBMVKLCI) at the end of the reporting year, the impacts to profit would be as follows:-

	<u>31.10.2017</u> RM	<u>31.10.2016</u> RM	<u>1.11.2015</u> RM
Increase in net profit for the financial year ("+")	<u>2,535</u>	<u>323</u>	<u>5,369</u>
Decrease in net profit for the financial year ("-")	<u>(2,535)</u>	<u>(323)</u>	<u>(5,369)</u>

29. FINANCIAL INSTRUMENTS (CONT'D)

**Fair value of financial instruments**

The carrying amounts of financial assets and liabilities of the combining entities at the reporting date approximate their fair values due to their short term nature and insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statement of financial position.

	<b>Fair value of financial instruments carried at fair value Level 2 RM</b>	<b>Carrying amount RM</b>
<b>31.10.2017</b>		
<b>Financial assets</b>		
Other investment	666,985	666,985
<b>31.10.2016</b>		
<b>Financial assets</b>		
Other investment	645,955	645,955
<b>1.11.2015</b>		
<b>Financial assets</b>		
Other investment	624,280	624,280

There were no transfers between Level 1 and Level 2 during the financial year (31.10.2016 and 1.11.2015: no transfer in either direction).

**Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

**Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

**30. CAPITAL MANAGEMENT**

The primary objective of the combining entities' capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The combining entities manage its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the combining entities may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the combining entities' approach to capital management during the financial year.

**31. EVENTS AFTER REPORTING PERIOD**

On 29 December 2017, a combining entity has entered into a sale and purchase agreement with Directors Leong Chee Keang and Leong Jyh Wen, to purchase a piece of vacant land known as Lot No. 841 held under Geran Mukim No. 428, Mukim 01, Daerah Seberang Perai, Selatan Pulau Pinang for a purchase consideration of RM8,000,000. The sale and purchase agreement was completed on 2 January 2018, with the title of ownership registered in the name of the combining entity on 27 April 2018 and issued on 16 May 2018.

On 2 January 2018, a combining entity has entered into a sale and purchase agreement with Directors Leong Chee Keang, Leong Jyh Wen and Leong Siew Fong, to purchase a piece of land known as Lot No. 637 held under Pajakan Mukim No. PM3, Mukim 1, Daerah Seberang Perai Selatan, Pulau Pinang for a purchase consideration of RM150,000. The sale and purchase agreement was completed on 17 January 2018, with the title of ownership registered in the name of the combining entity on 26 February 2018 and issued on 28 February 2018.

On 12 April 2018, Baba Borneo Sdn. Bhd. was incorporated as a private limited liability company and the shareholding of the company is held under a combining entity. The financial results of the company are not included in the combined financial statements as the company is yet to commence business operations at the reporting date.

32. **COMBINING ENTITIES**

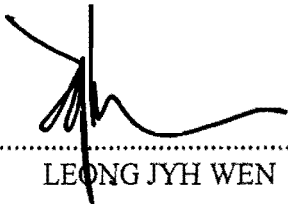
Details of the combining entities are as follows:-

<u>Name of the combining entities</u>	<u>Country of incorporation</u>	<u>Date of incorporation</u>	<u>Principal activities</u>
Kean Beng Lee Industries (M) Sdn. Bhd.	Malaysia	22.08.1996	Manufacturing and trading of flower pots, garden accessories planting soils and moulding products and planting of vegetables.
Era-I Enterprise (M) Sdn. Bhd.	Malaysia	25.02.1992	Traders in flower pots, all other plastic gardening accessories and organic food.


**BABA ECO GROUP BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying combined financial statements set out on pages 5 to 62 are drawn up in accordance with Malaysia Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position as at 1 November 2015, 31 October 2016 and 31 October 2017, and of its combined financial performance and cash flows for the financial years ended 31 October 2016 and 31 October 2017.



.....  
LEONG JYH WEN



.....  
LEONG JYHAO

Penang

5 September 2018

**APPENDIX II –**

**UNAUDITED COMBINED INTERIM FINANCIAL  
STATEMENTS FOR THE 6-MONTH PERIOD ENDED  
30 APRIL 2018**



**BABA ECO GROUP BERHAD**

(Company No. 1268966-W)

(Incorporated in Malaysia under the Companies Act, 2016)

**APPENDIX II –  
UNAUDITED COMBINED INTERIM FINANCIAL STATEMENTS  
FOR THE 6-MONTH PERIOD ENDED 30 APRIL 2018**

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**CONDENSED COMBINED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
(UNAUDITED)**

	<b>Unaudited</b>	
	<b>6-month period ended 30 April</b>	
	<b>2018<sup>(1)</sup></b>	<b>2017<sup>(1)</sup></b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	13,244	11,994
Cost of sales	(6,932)	(6,201)
<hr/>		
Gross profit ("GP")	6,312	5,793
Other income	92	849
Selling and distribution expenses	(1,233)	(1,167)
Administrative expenses	(3,055)	(2,800)
Other expenses	(123)	(1)
<hr/>		
Profit from operations	1,993	2,674
Finance costs	(114)	(79)
<hr/>		
Profit before tax	1,879	2,595
Tax expenses	(498)	(608)
<hr/>		
<b>Profit after tax/ Total comprehensive income</b>	<b>1,381</b>	<b>1,987</b>
<hr/>		
<b>Profit for the financial period/ Total comprehensive income attributable to owners of the combining entities</b>	<b>1,381</b>	<b>1,987</b>
<hr/>		
<b>Earnings per share attributable to owners of the combining entities:</b>		
- Basic/Diluted (sen)	0.58	0.84

Notes:

- (1) *The unaudited Condensed Combined Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited combined financial statements for the financial year ended 31 October 2017 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Basic/Diluted earnings per share is computed based on profit after tax attributable to owners of the combining entities divided by our enlarged number of Shares in issue of 237,820,020 Shares after the Proposed Listing.*

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**CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

	Unaudited As at 30 April	
	2018 <sup>(1)</sup> RM'000	2017 <sup>(1)</sup> RM'000
<b>Non-Current Assets</b>		
Property, plant and equipment	16,516	16,010
Other investments	667	646
	17,183	16,656
<b>Current Assets</b>		
Inventories	3,637	2,759
Trade receivables	5,336	4,354
Other receivables	613	502
Tax recoverable	-	83
Fixed deposit with a licensed bank	560	540
Cash and bank balances	1,277	4,684
	11,423	12,922
<b>TOTAL ASSETS</b>	<b>28,606</b>	<b>29,578</b>
<b>Equity</b>		
Share capital	900	900
Retained earnings	20,203	20,614
<b>Total Equity</b>	<b>21,103</b>	<b>21,514</b>
<b>Non-Current Liabilities</b>		
Finance lease liabilities	107	259
Borrowings	533	618
Deferred tax liabilities	1,322	1,308
	1,962	2,185
<b>Current Liabilities</b>		
Trade payables	1,499	1,454
Other payables	865	963
Amount due to directors	32	206
Finance lease liabilities	204	390
Borrowings	2,853	2,207
Tax payable	88	659
	5,541	5,879
<b>Total Liabilities</b>	<b>7,503</b>	<b>8,064</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>28,606</b>	<b>29,578</b>
<b>NET ASSETS PER SHARE (sen) <sup>(2)</sup></b>	<b>8.87</b>	<b>9.05</b>

Notes:

- (1) The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited combined financial statements for the financial year ended 31 October 2017 and the accompanying explanatory notes attached to this interim financial report.
- (2) Calculated based on the Company's enlarged issued and paid-up share capital of 237,820,020 ordinary shares ("**Shares**") after the Proposed Listing.

**CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

	<b>Share capital RM'000</b>	<b>Retained earnings RM</b>	<b>Total equity RM</b>
At 1 November 2017	900	18,822	<b>19,722</b>
Total comprehensive income for the financial period	-	1,381	<b>1,381</b>
At 30 April 2018	<b>900</b>	<b>20,203</b>	<b>21,103</b>
At 1 November 2016	900	21,627	<b>22,527</b>
Total comprehensive income for the financial period	-	1,987	<b>1,987</b>
Dividend paid	-	(3,000)	<b>(3,000)</b>
At 30 April 2017	<b>900</b>	<b>20,614</b>	<b>21,514</b>

Note:

*The unaudited Condensed Combined Statement of Changes in Equity should be read in conjunction with the audited combined financial statements for the financial year ended 31 October 2017 and the accompanying explanatory notes attached to this interim financial report.*

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**CONDENSED COMBINED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

	Year-to-date ended	
	30 April 2018	30 April 2017
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,879	2,595
<u>Adjustments for:</u>		
Unrealised loss/(gain) on foreign exchange	91	(56)
Depreciation	313	337
Gain on disposal of property, plant and equipment	(2)	-
Property, plant and equipment written-off	-	1
Interest expense	114	79
Interest income	(10)	(1)
	2,385	2,955
Operating profit before working capital changes	2,385	2,955
Increase in inventories	(676)	(151)
Increase in trade and other receivables	(492)	(141)
Increase in trade and other payables	(602)	(1,006)
Net drawdown /(repayment) of banker's acceptance	41	(96)
	656	1,561
Cash generated from operations	656	1,561
Tax paid	(530)	(415)
Interest paid	(114)	(79)
	12	1,067
<b>Net cash from operating activities</b>	<b>12</b>	<b>1,067</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2	1
Purchase of property, plant and equipment	(1,076)	(134)
Proceeds from disposal of property, plant and equipment	37	-
Placement of fixed deposits pledged with a licensed bank	-	(540)
	(1,037)	(673)
<b>Net cash used in investing activities</b>	<b>(1,037)</b>	<b>(673)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment)/Drawdown of term loans	(40)	690
Dividend paid	(3,200)	(3,000)
(Repayment to)/Advances from Directors	(121)	182
Net repayment of finance lease liabilities	(122)	(123)
Listing fees paid	(151)	-
Repayment of non-trade advance from a related party	(905)	-
	(4,539)	(2,251)
<b>Net cash used in financing activities</b>	<b>(4,539)</b>	<b>(2,251)</b>
Net changes in cash and cash equivalents	(5,564)	(1,857)
Effects of foreign exchange	(53)	175
Cash and cash equivalents at beginning of the financial period	6,554	6,366
	937	4,684
<b>Cash and cash equivalents at end of the financial period</b>	<b>937</b>	<b>4,684</b>

**CONDENSED COMBINED STATEMENT OF CASH FLOWS (cont'd)  
(UNAUDITED)**

	Year-to-date ended	
	30 April 2018	30 April 2017
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,277	4,684
Fixed deposits with a licensed bank	560	540
	<hr/>	<hr/>
	1,837	5,224
Less: Bank overdraft	(340)	-
Less: Fixed deposits pledged with a licensed bank	(560)	(540)
	<hr/>	<hr/>
	937	4,684
	<hr/>	<hr/>

Note:

*The unaudited Condensed Combined Statement of Cash Flows should be read in conjunction with the audited combined financial statements for the financial year ended 31 October 2017 and the accompanying explanatory notes attached to this interim financial report.*

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## EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

### A1. BASIS OF PREPARATION

The condensed combined interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Part C, Rule 6.12 and Appendix 6A of the LEAP Market Listing Requirements (“Listing Requirements”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the audited combined financial statements for the financial year ended 31 October 2017 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 October 2017.

### A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 October 2017, except for the adoption of the following Amendments to MFRSs as disclosed below:

- Amendments to MFRS 12 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 107 *Disclosure Initiative*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of the above MFRS and Amendments to MFRSs did not have any significant financial impact to the Group.

The following MFRSs and Amendments to MFRSs have been issued by the Malaysian Accounting Standards Board but are not early adopted by the Group:

#### Effective for annual periods commencing on or after 1 January 2018

- Amendments to MFRS 1 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15
- Amendments to MFRS 128 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* \*\*\* [See MFRS 4 Paragraphs 46 and 48 for the effective date] \*\*\*

## **A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 112 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 119 (*Plan Amendment, Curtailment or Settlement*)
- Amendments to MFRS 123 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

### Effective for annual periods commencing on or after 1 January 2020

- Amendments to MFRS 2 *Share-based Payment*
- Amendments to MFRS 3 *Business Combinations*
- Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134 *Interim Financial Reporting*
- IC Interpretation 132 *Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs*

### Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

### Deferred (date to be determined by MASB)

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group is in the process of assessing the impact of implementing these accounting standards and amendments, since the effects would only be observable for the future financial years.

## **A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the Group's most recent annual audited combined financial statements for the financial year ended 31 October 2017 were not subject to any qualification.

## **A4. SEASONALITY OR CYCLICALITY OF OPERATION**

Generally, our Group's business is not subject to any significant cyclical or seasonal trend.

## **A5. UNUSUAL ITEMS**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the 6-month financial period ended 30 April 2018.

## **A6. MATERIAL CHANGES IN ESTIMATES**

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the financial period ended 30 April 2018.

**A7. DEBTS AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the 6-month financial period ended 30 April 2018.

**A8. DIVIDEND PAID/ DECLARED**

The Board of Directors did not recommend any payment of dividend during the 6-month financial period ended 30 April 2018.

**A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

There were no material events subsequent to the end of financial period under review that have not have been reflected in this interim financial report, save as disclosed below:

(i) Proposed Excluded Issue

The Company has initiated an excluded issue of 40,600,000 new shares at the issue price of RM0.13 per share representing 17.07% of the Company's enlarged issued share capital, to be made available to sophisticated investors.

**A10. CHANGES IN THE COMPOSITION OF THE GROUP**

Pursuant to our Proposed Listing, the Company had on 26 April 2018 entered into the KBL SSA (as defined in the Information Memorandum) and Era-I SSA (as defined in the Information Memorandum) with Leong Jyh Wen and Leong Jyahao for the KBL Acquisition (as defined in the Information Memorandum) and Era-I Acquisition (as defined in the Information Memorandum) respectively.

The KBL Acquisition and Era-I Acquisition were completed on 31 May 2018.

**A11. CHANGES IN MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

There is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings, other than as disclosed in Section 11.3 of the Information Memorandum.

**A12. CAPITAL COMMITMENTS**

Our Group's capital commitments in respect of property, plant and equipment which were not provided in the financial statements as at 30 April 2018 are as follows:

	RM'000
In respect of property, plant and equipment: - Approved but not contracted for	3,800

Please refer to Section 4.18 of the Information Memorandum for further details on our future plans.

### A13. SEGMENT INFORMATION

Our Group is an integrated gardening supplies provider under our proprietary brand name "Baba". Through our Subsidiaries, we are primarily involved in:

- (i) The manufacturing and trading of a diversified range of eco-friendly biodegradable plastic flower pots and planting media;
- (ii) The processing and trading of organic fertilisers and natural pesticides; and
- (iii) The trading of a diversified range of gardening accessories, seeds and agricultural produce.

The reportable segments are summarised as follows:

#### Manufacturing

Consist of the following activities:

- Manufacturing and trading of biodegradable flower pots;
- Manufacturing and trading of planting media; and
- Manufacturing of other plastic-injection-moulding products on an OEM basis for customers.

#### Merchandising

Consist of the following activities:

- Processing and trading of organic fertilisers;
- Processing and trading of natural pesticides; and
- Trading of gardening accessories, seeds and agricultural produce.

Please refer to Section 10.4 of the Information Memorandum for details of the Group's segmental information during the 6-month financial period ended 30 April 2018.

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**ADDITIONAL INFORMATION REQUIRED BY THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. ANALYSIS OF PERFORMANCE**

Please refer to Section 10.4 of the Information Memorandum for management discussion and analysis on our Group's financial condition and results of operations in respect of the 6-month financial period ended 30 April 2018.

**B2. PROSPECTS**

The Board of Directors is optimistic about our Group's future prospects, backed by the future plans as set out in Section 4.18 of the Information Memorandum.

Please refer to Section 5 of the Information Memorandum for further details on industry overview and outlook.

**B3. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS**

Included in profit before tax are the following income/(expense) items:

	<b>6-month financial period ended</b>	
	<b>30 April 2018</b>	<b>30 April 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Unrealised (loss)/gain on foreign exchange	(91)	56
Depreciation	(313)	(337)
Gain on disposal of property, plant and equipment	2	-
Property, plant and equipment written-off	-	(1)
Interest expense	(114)	(79)
Interest income	10	1



**Together,**  
We Help Malaysia Organic Grow!  
The land that we bestow, Is our children future!

***Baba***<sup>TM</sup>

**BABA ECO GROUP BERHAD**

(Company No. 1268966-W)

(Incorporated in Malaysia under the Companies Act, 2016)

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