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

INTERIM FINANCIAL REPORT FOR THE 6-MONTH FINANCIAL PERIOD ENDED 30 APRIL 2019

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

Acquisition of Land	:	Acquisition of a piece of vacant land known as Lot No. 841 held under Geran Mukim No. 428, Mukim 01, Daerah Seberang Perai, Selatan Pulau Pinang by KBL pursuant to the sale and purchase agreement dated 29 December 2017 entered into between KBL and Mr. Leong Chee Keang (director of KBL) and Mr. Leong Jyh Wen (Managing Director of our Company)
Audited Financial Statements	:	Consolidated financial statements for the FYE 2018 as audited by Grant Thornton Malaysia
Baba Eco or Company	:	Baba Eco Group Berhad (1268966-W)
Baba Eco Group or Group	:	Collectively, Baba Eco and its Subsidiaries
Board	:	The Board of Directors of our Company
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CMSA	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
Excluded Issue Shares	:	New Shares to be issued pursuant to the Proposed Excluded Issue
FPE	:	Financial period ended 30 April
FYE	:	Financial year ended/ending 31 October
IMR Report	:	Independent Market Research Report dated 13 September 2018 prepared by Protégé Associates Sdn. Bhd.
KBL	:	Kean Beng Lee Industries (M) Sdn. Bhd. (399320-T)
Proposed Excluded Issue	:	Proposed issue of 27,500,000 Excluded Issue Shares at the Issue Price to Sophisticated Investors within the meanings of Section 230 of the CMSA
Proposed Listing	:	Proposed admission to the Official List and the listing and quotation of our entire enlarged issued share capital of RM23,297,002, comprising 224,720,020 shares on the LEAP Market
Original Information Memorandum	:	Original Information Memorandum dated 19 September 2018 in relation to the Proposed Excluded Issue
Share(s)	:	Ordinary share(s) in our Company
Sophisticated Investor(s)	:	Investor(s) who fall within Part 1 of Schedule 7 of the CMSA
Subsidiaries	:	Collectively, the following companies: (i) Baba Borneo Sdn. Bhd. (1276199-P); (ii) Era-I Enterprise (M) Sdn. Bhd. (234810-W); and (iii) KBL
Supplementary Information Memorandum	:	Supplementary Information Memorandum dated 13 June 2019 in relation to the Proposed Excluded Issue

All references to “our Company” or “Baba Eco” in this document are to Baba Eco Group Berhad. All references to “our Group” or “Baba Eco Group” in this document 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.

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 document are due to rounding.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	Individual period		Cumulative period	
	6-month FPE 2019 RM'000	6-month FPE 2018[1] RM'000	6-month FPE 2019 RM'000	6-month FPE 2018[1] RM'000
Revenue	14,547	13,244	14,547	13,244
Cost of sales	(7,856)	(6,932)	(7,856)	(6,932)
Gross profit ("**GP**")	6,691	6,312	6,691	6,312
Other income	253	92	253	92
Selling and distribution expenses	(1,393)	(1,233)	(1,393)	(1,233)
Administrative expenses	(3,702)	(3,055)	(3,702)	(3,055)
Other expenses	(52)	(123)	(52)	(123)
Profit from operations	1,797	1,993	1,797	1,993
Finance costs	(135)	(114)	(135)	(114)
Profit before tax	1,662	1,879	1,662	1,879
Tax expenses	(398)	(498)	(398)	(498)
Profit after tax/ Total comprehensive income	**1,264**	**1,381**	**1,264**	**1,381**
Profit for the financial period/ Total comprehensive income attributable to:				
- Owners of Baba Eco	1,240	1,381	1,240	1,381
- Non-controlling interests ("**NCI**")	24	-	24	-
	1,264	**1,381**	**1,264**	**1,381**
GP margin (%)	46.00	47.66	46.00	47.66
Earnings before interest, taxation, depreciation and amortisation ("**EBITDA**")	2,169	2,296	2,169	2,296
EBITDA margin (%)	14.91	17.34	14.91	17.34
PBT margin (%)	11.43	14.19	11.43	14.19
PAT margin (%)	8.69	10.43	8.69	10.43
Basic/diluted earnings per share (sen)[2]	0.55	0.61	0.55	0.61
Number of shares in issue after the Proposed Excluded Issue ('000)[3]	224,720	224,720	224,720	224,720

Notes:
(1) *Based on unaudited combined financial statements.*
(2) *Calculated based on the profit for the financial period attributable to owners of Baba Eco, divided by the number of shares in issue after the Proposed Excluded Issue.*
(3) *Based on the Supplementary Information Memorandum.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	As at 30.04.2019[(1)] RM'000 (unaudited)	As at 31.10.2018 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	24,659	24,722
Other investments	692	692
	25,351	**25,414**
Current Assets		
Inventories	3,063	3,330
Trade receivables	4,833	5,672
Other receivables	1,385	1,591
Tax recoverable	493	266
Fixed deposit with a licensed bank	569	569
Cash and bank balances	5,645	2,700
	15,988	**14,128**
TOTAL ASSETS	**41,339**	**39,542**
Equity		
Share capital	19,722	19,722
Merger deficit	(18,822)	(18,822)
Retained earnings	26,010	24,770
	26,910	25,670
NCI	36	12
Total Equity	**26,946**	**25,682**
Non-Current Liabilities		
Finance lease liabilities	504	429
Borrowings	471	488
Amount due to a Director [(2)]	2,079	2,079
Amount due to a Director of a subsidiary [(2)]	2,079	2,079
Deferred tax liabilities	1,696	1,696
	6,829	**6,771**
Current Liabilities		
Trade payables	850	1,701
Other payables	2,893	1,003
Amount due to Directors	968	1,370
Amount due to Directors of a subsidiary	-	3
Finance lease liabilities	169	296
Borrowings	2,514	2,623
Tax payable	170	93
	7,564	**7,089**
Total Liabilities	**14,393**	**13,860**
TOTAL EQUITY AND LIABILITIES	**41,339**	**39,542**

Notes:

(1) *The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.*

(2) *These amounts due to Director/Director of a subsidiary are in relation to the purchase consideration payable by KBL pursuant to the Acquisition of Land, to be settled over 10 annual instalments. Please refer to Notes 16 and 33 to the Audited Financial Statements for further details.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital RM'000	Merger Deficit RM'000	Retained earnings RM'000	NCI RM'000	Total equity RM'000
At 1 November 2018	19,722	(18,822)	24,770	12	25,682
Total comprehensive income for the financial period	-	-	1,240	24	1,264
At 30 April 2019[1]	19,722	(18,822)	26,010	36	26,946
At 1 November 2017	900	-	18,822	-	19,722
Total comprehensive income for the financial period	-	-	1,381	-	1,381
At 30 April 2018[2]	900	-	20,203	-	21,103

Notes:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.

(2) Based on unaudited combined financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Year-to-date ended	
	30.04.2019[(1)] RM'000	30.04.2018[(2)] RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,662	1,879
Adjustments for:		
Unrealised (gain)/loss on foreign exchange	(17)	91
Depreciation	382	313
Loss/(Gain) on disposal of property, plant and equipment	52	(2)
Interest expense	125	114
Interest income	-	(10)
Operating profit before working capital changes	2,204	2,385
Decrease/(Increase) in inventories	267	(676)
Decrease/(Increase) in trade and other receivables	1,078	(492)
Decrease in trade and other payables	(1,044)	(602)
Net (payment)/drawdown of bankers' acceptance	(86)	41
Cash generated from operations	2,419	656
Tax paid	(574)	(530)
Tax refunded	26	-
Interest paid	(125)	(114)
Net cash from operating activities	**1,746**	**12**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	2
Purchase of property, plant and equipment	(391)	(1,076)
Proceeds from disposal of property, plant and equipment	20	37
Net cash used in investing activities	**(371)**	**(1,037)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of term loans	(41)	(40)
Dividend paid	(400)	(3,200)
Share application monies from investors	2,080	-
Advances from/(Repayment to) Directors	2	(121)
Repayment to a Director of a subsidiary	(3)	-
Net repayments of finance lease liabilities	(52)	(122)
Listing fees paid	(29)	(151)
Repayment of non-trade advance from a related party	-	(905)
Net cash from/(used in) financing activities	**1,557**	**(4,539)**
Net changes in cash and cash equivalents	2,932	(5,564)
Effects of foreign exchange	13	(53)
Cash and cash equivalents at beginning of the financial period	2,700	6,554
Cash and cash equivalents at end of the financial period	**5,645**	**937**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
(UNAUDITED)

	Year-to-date ended	
	30.04.2019(1)	**30.04.2018 (2)**
	RM'000	**RM'000**
Cash and cash equivalents comprise the following:		
Cash and bank balances	5,645	1,277
Fixed deposit with a licensed bank	569	560
	6,214	1,837
Less: Bank overdraft	-	(340)
Less: Fixed deposit with a licensed bank	(569)	(560)
	5,645	**937**

Notes:

(1) The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.

(2) Based on unaudited combined financial statements.

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EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134

1. BASIS OF PREPARATION

The condensed consolidated 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 ("**LEAP LR**") issued by Bursa Securities.

These unaudited interim financial statements should be read in conjunction with the Audited Financial Statements 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 FYE 2018.

2. 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 FYE 2018, except for the adoption of the following MFRS and Amendments to MFRSs as disclosed below:

<u>Effective for annual periods commencing on or after 1 January 2018</u>
- 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] ***

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 MASB but are not early adopted by the Group:

<u>Effective for annual periods commencing on or after 1 January 2019</u>
- 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*

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 14 *Regulatory Deferral Accounts*
- 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*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 *Intangible Assets*
- IC Interpretation 12 *Amendments to IC Interpretation 12 Service Concession Arrangements*
- IC Interpretation 19 *Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments*
- IC Interpretation 20 *Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*
- IC Interpretation 22 *Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration*
- 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.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited financial statements for the FYE 2018 were not subject to any qualification.

4. SEASONALITY OR CYCLICALITY OF OPERATION

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

5. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the 6-month FPE 2019.

6. 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 6-month FPE 2019.

7. DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the 6-month FPE 2019.

8. DIVIDEND PAID/ DECLARED

The Board of Directors did not recommend any payment of dividend during the 6-month FPE 2019.

9. 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.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the 6-month FPE 2019.

11. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this report.

12. 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 2019 are as follows:

	RM'000
In respect of property, plant and equipment - Approved but not contracted for	3,800

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MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

(a) By business segment

The following table sets out the breakdown of our Group's revenue by business segment for the FPEs 2019 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.

	Unaudited			
	FPE 2019		**FPE 2018**	
	RM'000	**%**	**RM'000**	**%**
Manufacturing:				
• Biodegradable flower pots	6,863	47.18	6,805	51.38
• Planting media	2,760	18.97	2,361	17.83
• Others(1)	484	3.33	609	4.60
	10,107	69.48	9,775	73.81
Merchandising(2)	4,440	30.52	3,469	26.19
Total	**14,547**	**100.00**	**13,244**	**100.00**

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.

(b) By geographical location

	Unaudited			
	FPE 2019		FPE 2018	
	RM	%	RM	%
Local				
Malaysia	11,552	79.41	10,031	75.74
Overseas				
Southeast Asia	1,837	12.63	2,404	18.15
Others[(1)]	1,158	7.96	809	6.11
	2,995	20.59	3,213	24.26
Total	**14,547**	**100.00**	**13,244**	**100.00**

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

Comparison between the FPE 2019 and the FPE 2018

Our Group recorded total revenue of approximately RM14.55 million for the FPE 2019, increased by approximately RM1.31 million or 9.89% as compared to the FPE 2018; backed by improved sales recorded from both our manufacturing segment and our merchandising segment.

During the financial period under review, our Group's revenue was mainly derived from the local market accounting for approximately 79.41% (FPE 2018: 75.74%) of our Group's total revenue. During the FPE 2019, our Group received higher demand from the local market with local sales increased by approximately RM1.52 million or 15.15% as compared to preceding year corresponding period; primarily due to sales from Baba retail counters.

2. Cost of sales

(a) By business segment

The following table sets out the breakdown of our Group's cost of sales by cost category for the FPEs 2019 and 2018:

	Unaudited			
	FPE 2019		FPE 2018	
	RM'000	%	RM'000	%
Manufacturing	5,906	75.18	5,344	77.09
Merchandising	1,950	24.82	1,588	22.91
Total	**7,856**	**100.00**	**6,932**	**100.00**

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(b) By cost category

The following table sets out the breakdown of our Group's cost of sales by cost category for the FPEs 2019 and 2018:

	Unaudited			
	FPE 2019		FPE 2018	
	RM'000	%	RM'000	%
Material costs	5,485	69.82	4,685	67.58
Labour costs	1,128	14.36	1,138	16.42
Production overheads	1,243	15.82	1,109	16.00
Total	**7,856**	**100.00**	**6,932**	**100.00**

Comparison between the FPE 2019 and the FPE 2018

For the FPE 2019, our Group's cost of sales increased by approximately RM0.93 million or 13.42% as compared to the preceding year corresponding period; in line with our revenue growth during the financial period under review.

The components of our Group's cost of sales remained relatively consistent during the FPE 2019, as compared to the preceding year corresponding period. The main component was material costs, accounted for 69.82% (FPE 2018: 67.58%) of our Group's cost of sales. Labour costs and production overheads accounted for approximately 14.36% (FPE 2018: 16.42%) and 15.82% (FPE 2018: 16.00%) of our Group's cost of sales respectively for the FPE 2019.

3. GP and GP margin

The following tables set out the breakdown of our Group's GP and GP margin by business segment for the FPEs 2019 and 2018:

GP	Unaudited			
	FPE 2019		FPE 2018	
	RM'000	%	RM'000	%
Manufacturing	4,201	62.79	4,431	70.20
Merchandising	2,490	37.21	1,881	29.80
Total	**6,691**	**100.00**	**6,312**	**100.00**

GP margin	Unaudited	
	FPE 2019	FPE 2018
	%	%
Manufacturing	41.57	45.33
Merchandising	56.08	54.22
Overall GP margin	**46.00**	**47.66**

Comparison between the FPE 2019 and the FPE 2018

Backed by our revenue growth, our Group's GP increased by approximately RM0.38 million or 6.02% during the FPE 2019 as compared to the preceding year corresponding period.

However, our Group's overall GP margin for the FPE 2019 stood at 46.00%, slightly lower as compared to the preceding year corresponding period, primarily due to higher material costs.

4. Other income

	Unaudited			
	FPE 2019		FPE 2018	
	RM'000	%	RM'000	%
Certification fees	41	16.21	38	41.30
Feed-in tariff from TNB	25	9.88	30	32.61
Gain on disposal of property, plant and equipment	-	-	2	2.18
Gain on foreign exchange:				
- Realised	158	62.45	-	-
- Unrealised	17	6.72	-	-
Rental income	12	4.74	12	13.04
Interest income	-	-	10	10.87
Total	**253**	**100.00**	**92**	**100.00**

Comparison between the FPE 2019 and the FPE 2018

Our Group's other income for the FPE 2019 amounted to approximately RM0.25 million, increased by approximately RM0.16 million as compared to the preceding year corresponding period. The increase was primarily attributable to the higher gain on foreign exchange of approximately RM0.16 million recorded during the financial period under review in line with the fluctuation of foreign exchange rate particularly strengthening of USD and SGD against RM during the FPE 2019.

5. Selling and distribution expenses

	Unaudited			
	FPE 2019		FPE 2018	
	RM'000	%	RM'000	%
Transport and forwarding charges	886	63.61	755	61.23
Sales commission	298	21.39	282	22.87
Others(1)	209	15.00	196	15.90
Total	**1,393**	**100.00**	**1,233**	**100.00**

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 FPE 2019 and the FPE 2018

For the FPE 2019, our Group's selling and distribution expenses increased by RM0.16 million or 13.01% as compared to the preceding year corresponding period. The increase was primarily attributable to the increase in transport and forwarding charges by approximately RM0.13 million; in line with the improved sales performance of the Group.

6. Administrative expenses

	Unaudited			
	FPE 2019		FPE 2018	
	RM'000	%	RM'000	%
Remuneration	2,191	59.18	1,729	56.60
Travelling	133	3.59	172	5.63
Training costs	69	1.86	63	2.06
Depreciation	142	3.84	103	3.37
Professional fees	52	1.41	63	2.06
Advertisement	40	1.08	42	1.37
Rental expenses	120	3.24	59	1.93
Levy, license and immigration fees	192	5.19	105	3.44
Utilities	42	1.13	62	2.03
Upkeep expenses	48	1.30	52	1.70
Insurance	26	0.70	35	1.15
Others	647	17.48	570	18.66
Total	**3,702**	**100.00**	**3,055**	**100.00**

Comparison between the FPE 2019 and the FPE 2018

For the FPE 2019, our Group's administrative expenses increased by approximately RM0.64 million or 20.92% as compared to the preceding year corresponding period.

The increase in administrative expenses during the FPE 2019 was primarily due to the increase in staff and directors' remuneration by approximately RM0.46 million, as a result of annual increments and additional headcounts in line with our expansion.

7. Taxation

	Unaudited	
	FPE 2019	FPE 2018
	RM'000	RM'000
Taxation	398	498
Effective tax rate	**23.95**	**26.50**

Comparison between the FPE 2019 and the FPE 2018

For the FPE 2019, our Group's overall tax expenses decreased by RM0.10 million as compared to the preceding year corresponding period, representing an effective tax rate of 23.95% (FPE 2018: 26.50%).

The decrease in overall tax expenses was generally in line with the lower PBT recorded by our Group for financial period under review. The effective tax rate was lower for the FPE 2019, mainly due to tax savings arising from lower amount of expenses not allowed for tax deduction.

8. PAT and PAT margin

	Unaudited	
	FPE 2019	**FPE 2018**
	RM'000	**RM'000**
PAT	1,264	1,381
PAT margin (%)	**8.69**	**10.43**

Comparison between the FPE 2019 and the FPE 2018

In line with the lower PBT recorded by our Group, our Group's PAT decreased by approximately RM0.12 million or 8.70% as compared to the preceding year corresponding period.

Our Group's PAT margin reduced to 8.69%, as compared to the preceding year corresponding period; mainly due to higher material costs and administrative expenses incurred during the financial period under review as explained in above sections.

9. Key financial ratios

		Unaudited	
		FPE 2019	**FPE 2018**
Trade receivables turnover period(1)	(days)	60	73
Trade payables turnover period(2)	(days)	20	39
Inventories turnover period(3)	(days)	71	95
Current ratio(4)	(times)	2.11	2.06
Gearing ratio(5)	(times)	0.14	0.18

Notes:

(1) *Computed based on trade receivables balance over our Group's revenue for the respective financial period, multiplied by number of days in the financial period.*

(2) *Computed based on trade payables balance over our Group's cost of sales for the respective financial period, multiplied by number of days in the financial period.*

(3) *Computed based on inventories balance over our Group's cost of sales for the respective financial period, multiplied by number of days in the financial period.*

(4) *Computed based on current assets over current liabilities as at the respective financial period-end.*

(5) *Computed based on the total borrowings (comprising borrowings and finance lease liabilities) over total equity as at the respective financial period-end.*

(i) Trade receivables turnover period

Our Group's trade receivables turnover period decreased from 73 days for the FPE 2018 to 60 days for the FPE 2019, primarily due to lower trade receivables balance recorded as at 30 April 2019. 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.

(ii) Trade payables turnover period

Our Group's trade payables turnover period decreased from 39 days for the FPE 2018 to 20 days for the FPE 2019, primarily due to lower trade payables balance recorded as at 30 April 2019, as well as higher purchases made on cash terms for the imported raw materials. The trade payables turnover period fell below 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 decreased from 95 days for the FPE 2018 to 71 days for the FPE 2019, in line with our revenue growth during financial period under review.

Our Group has not experienced any write-off due to stock obsolescence during the FPE 2019. Our Board is of the opinion that there are no significant slow-moving or obsolete inventories as at 30 April 2019 as our inventories on-hand are primarily to cater for subsequent months' production and sales.

(iv) Current ratio

Our Group's current ratio improved from 2.06 times for the FPE 2018 to 2.11 times for the FPE 2019, backed by our improved financial performance during the financial period under review.

(v) Gearing ratio

Our Group's gearing ratio reduced from 0.18 times for the FPE 2018 to 0.14 times for the FPE 2019, in line with our improved financial performance and repayment made during the financial period under review.

Our 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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10. PROSPECTS

Looking ahead, our Group is positive about the prospect of the industry and is optimistic that our financial performance for the FYE 2019 will remain stable after taking into consideration:

(i) the prospect and outlook of the gardening supplies market in Malaysia as set out in the IMR Report disclosed under Section 5 of the Original Information Memorandum; and

(ii) our future plans as set out under Section 4.18 of the Original Information Memorandum.

The gardening supplies market is mainly driven by the demand created from the landscaping industry and household practising gardening as a recreational activity. Moving forward, gardening supplies market in Malaysia is projected to grow in tandem with the growth of the landscaping industry and higher expenditure on gardening by the households.

The gross output value of the landscape activities and building services is projected to expand by a compounded annual growth rate ("**CAGR**") of 9.4% from RM3.77 billion in 2017 to RM5.90 billion in 2022; whilst the annual household expenditure on gardening is projected to grow by CAGR of 11.8% from RM627.9 million in 2017 to RM1,094.7 million in 2022 based on the findings of the IMR Report.

Barring any unforeseen circumstances and adverse external economic factors, our Board is of the view that the Group's financial performance for the FYE 2019 will continue to grow.

11. MATERIAL LITIGATION

Our lawsuit with Tenaga Nasional Berhad ("**TNB**") has been resolved during the FYE 2018, following the withdrawal of the case by TNB without any liberty to file afresh and with no order as to costs.

12. STATUS OF CORPORATE PROPOSAL

(i) Bursa Securities has, via its letter dated 8 October 2018, resolved to approve the admission to the Official List and the listing and quotation of the entire issued share capital of our Company comprising 237,820,020 ordinary shares on the LEAP Market of Bursa Securities, subject to the following conditions:

Condition imposed	Status of compliance
(1) To submit the details of the placees in the manner as may be prescribed by Bursa Securities, as soon as practicable after the placement of securities and before the listing of such new issue of securities	To be complied.
(2) Submit the following information in respect of the moratorium on the shareholdings of the Promoters to the Bursa Malaysia Depository Sdn. Bhd: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	To be complied.
(3) To announce the listing date at least 2 market days prior to the date of listing.	To be complied.

Condition imposed		Status of compliance
(4)	To furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the shareholding spread requirement based on the entire issued share capital of Baba Eco on the first day of listing.	To be complied.
(5)	To furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of our Company to the Official List of the LEAP Market.	To be complied.
(6)	To ensure full compliance with all the requirements as provided under the Listing Requirements at all times.	To be complied.

(ii) Bursa Securities has, via its letter dated 25 March 2019, resolved to grant our Company an extension of time until 31 July 2019 to complete the Proposed Listing.

(iii) Bursa Securities has, via its letter dated 25 June 2019, resolved to approve the application for modification to the Proposed Excluded Issue in respect of the Proposed Listing.

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