

The admission of Baba Eco Group Berhad to the LEAP Market was advised by our Approved Advisor, WYNCORP Advisory Sdn Bhd.



BABA ECO GROUP BERHAD

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

**UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS
FOR THE 6-MONTHS FINANCIAL PERIOD ENDED 30 APRIL 2020 (“1HFY20”)**

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 ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY BABA ECO GROUP BERHAD (“BABA ECO” OR THE “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 CONSIDERATION.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

	Unaudited 30.4.2020 RM'000	Audited 31.10.2019 RM'000
Non-Current Assets		
Property, plant and equipment ("PPE")	26,356	26,477
Other investments	-	707
	26,356	27,184
Current Assets		
Inventories	3,560	3,533
Trade receivables	5,786	6,191
Other receivables	786	886
Tax recoverable	335	78
Fixed deposit with a licensed bank	587	587
Short term placement with licensed banks	4,501	-
Cash and bank balances	3,892	9,316
	19,447	20,591
TOTAL ASSETS	45,803	47,775
Equity		
Share capital	23,237	23,237
Merger deficit	(18,822)	(18,822)
Retained earnings	28,013	27,405
	32,428	31,820
Non-controlling interest	114	56
Total Equity	32,542	31,876
Non-Current Liabilities		
Finance lease liabilities	1,055	1,138
Borrowings	319	394
Amount due to a Director	2,096	2,096
Amount due to a Director of a subsidiary	2,096	2,096
Deferred tax liabilities	1,886	1,886
	7,452	7,610
Current Liabilities		
Trade payables	1,083	2,292
Other payables	786	1,148
Contract liabilities	-	357
Amount due to Directors	869	975
Amount due to Directors of a subsidiary	-	8
Finance lease liabilities	582	537
Borrowings	2,379	2,856
Tax payable	110	116
	5,809	8,289
Total Liabilities	13,261	15,889
TOTAL EQUITY AND LIABILITIES	45,803	47,775
Net assets per ordinary share attributable to owners of Baba Eco ⁽²⁾ (sen)	14.43	14.16

Notes:

(1) *The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 October 2019 and the accompanying explanatory notes attached to this interim financial report.*

(2) *Net assets per share is calculated based on the Company's number of ordinary shares currently in issue of 224,720,020 shares.*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED) ⁽¹⁾**

	Individual 6 months ended		Cumulative 6 months ended	
	30.4.2020	30.4.2019	30.4.2020	30.4.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	13,848	14,547	13,848	14,547
Cost of sales	(7,511)	(7,856)	(7,511)	(7,856)
Gross profit	6,337	6,691	6,337	6,691
Other income	166	253	166	253
Selling and distribution expenses	(1,238)	(1,393)	(1,238)	(1,393)
Administrative expenses	(3,687)	(3,702)	(3,687)	(3,702)
Other expenses	-	(52)	-	(52)
Profit from operations	1,578	1,797	1,578	1,797
Finance costs	(154)	(135)	(154)	(135)
Profit before tax	1,424	1,662	1,424	1,662
Tax expenses	(348)	(398)	(348)	(398)
Profit after tax/ Total comprehensive income	1,076	1,264	1,076	1,264
Profit for the financial period/ Total comprehensive income attributable to owners of Baba Eco				
- Owners of Baba Eco	1,058	1,240	1,058	1,240
- Non-controlling interests ("NCI")	18	24	18	24
	1,076	1,264	1,076	1,264
Earnings per share attributable to owners of Baba Eco:				
- Basic ⁽²⁾ (sen)	0.47	0.55	0.47	0.55
- Diluted ⁽²⁾ (sen)	N/A	N/A	N/A	N/A

Notes:

(1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 October 2019 ("FYE 2019") and the accompanying explanatory notes attached to this interim financial report.

(2) Kindly refer to Note C4 for further details.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾
(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 year	-	-	1,240	24	1,264
At 30.4.2019	19,722	(18,822)	26,010	36	26,946
At 1 November 2019	23,237	(18,822)	27,405	56	31,876
Transactions with owners: -					
Subscription of shares by NCI	-	-	-	40	40
Dividend	-	-	(449)	-	(449)
Total transactions with owners	-	-	(449)	40	(409)
Total comprehensive income for the financial year	-	-	1,058	18	1,062
At 30.4.2020	23,237	(18,822)	28,013	114	32,542

Note:

(1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 October 2019 and the accompanying explanatory notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) ⁽¹⁾

	Cumulative 6 months ended	
	30.4.2020	30.4.2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,424	1,662
<u>Adjustments for:</u>		
Unrealised gain on foreign exchange	(14)	(17)
Depreciation	529	382
Loss on disposal of property, plant and equipment	-	52
Interest expense	154	125
Fair value gain on investment	(3)	-
Interest income	(2)	-
	<hr/>	<hr/>
Operating profit before working capital changes	2,088	2,204
Increase/(Decrease) in inventories	(27)	267
Decrease in trade and other receivables	471	1,078
Decrease in trade and other payables	(1,928)	(1,044)
Net repayment of bankers' acceptance	(511)	(86)
	<hr/>	<hr/>
Cash generated from operations	93	2,419
Tax paid	(610)	(574)
Tax refunded	-	26
Interest paid	(99)	(125)
	<hr/>	<hr/>
Net cash (used in)/from operating activities	(616)	1,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2	-
Purchase of property, plant and equipment	(408)	(391)
Proceeds from disposal of property, plant and equipment	-	20
Redemption of other investment	710	-
	<hr/>	<hr/>
Net cash from/(used in) investing activities	304	(371)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of term loans	(41)	(41)
Dividends paid	(449)	(400)
Proceeds from issuance of shares by a subsidiary to NCI	40	-
Share application monies from investors	-	2,080
(Repayment to)/Advance from Directors	(106)	2
Repayment to Directors of a subsidiary	(8)	(3)
Net repayments of finance lease liabilities	(94)	(52)
Listing fees	-	(29)
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(658)	1,557
Net changes in cash and cash equivalents	(970)	2,932
Effect of foreign exchange	47	13
Cash and cash equivalents at beginning of the financial period	9,316	2,700
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	8,393	5,645

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

	Cumulative 6 months ended	
	30.4.2020	30.4.2019
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	3,892	5,645
Short term placements with licensed banks	4,501	-
Fixed deposits with a licensed bank	587	569
	<u>8,980</u>	<u>6,214</u>
Less: Fixed deposits with a licensed bank	<u>(587)</u>	<u>(569)</u>
	<u>8,393</u>	<u>5,645</u>

Note:

- (1) *The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 October 2019 and the accompanying explanatory notes attached to this interim financial report.*

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SECTION A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. 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 Part A, Appendix 6A of the LEAP Market Listing Requirements (“LEAP LR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 October 2019 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 2019.

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 2019, except for the adoption of the following MFRSs and Amendments to MFRSs as disclosed below:

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*

The adoption of the above MFRSs and Amendments to MFRSs did not have any significant financial impact to the Group.

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A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not early adopted by the Group:

Effective for annual periods commencing on or after 1 January 2020

- Amendments to *References to the Conceptual Framework in MFRS Standards*, as issued by MASB on 30 April 2018
- Amendments to MFRS 3 *Definition of a Business*
- Amendments to MFRS 101 and MFRS 108 *Definition of Material*
- Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*

Effective for annual periods commencing on or after 1 June 2020

- Amendment to MFRS 16 *Covid-19 Related Rent Concessions*

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRSs contained in the document entitled “*Annual Improvements to MFRS Standards 2018-2020*”
- Amendments to MFRS 3 *Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Proceeds before Intended Use*
- Amendments to MFRS 137 *Onerous Contracts – Cost of Fulfilling a Contract*

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 financial statements for the financial year ended 31 October 2019 were not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATION

Generally, our Group’s business is not subjected to any anomalous 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 2020.

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 6-month financial period ended 30 April 2020.

A7. DEBTS AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

A8. DIVIDEND

On 30 December 2019, the Board declared an interim dividend of 0.20 sen per share on 224,720,020 shares amounting to RM449,440 in respect of the financial year ended 31 October 2019. The interim dividend was paid on 15 January 2020.

A9. 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.

There is no change to the principal activities of the Group during the financial period under review.

The reportable segments are summarised as follows:

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

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A9. SEGMENT INFORMATION (cont'd)

	Manufacturing	Merchandising	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Results					
Interest Income	2	-	-	-	2
Interest Expense	(117)	(37)	-	-	(154)
Depreciation	(466)	(63)	-	-	(529)
Other non-cash income/(expense)	52	16	-	-	68
Tax Expense	(217)	(131)	-	-	(348)
Segment profit/(loss)	696	418	412	(450)	1,076
Assets					
Addition to PPE	408	-	-	-	408
Segment Assets	38,536	6,056	23,388	(22,177)	45,803
Liabilities					
Segment Liabilities	12,748	922	-	(409)	13,261

Other material non-cash income/(expense):

	Manufacturing	Merchandising	Total
	RM'000	RM'000	RM'000
Fair value gain on investment	2	1	3
Unrealised gain on forex	50	16	66
	52	17	69

The following items are added to/(deducted from) segment profit to arrive at profit after tax ("PAT"):

	RM'000
Segment profit	1,228
Interest income	2
Interest expense	(154)
PAT	1,076

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A9. SEGMENT INFORMATION (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:

	Unaudited			
	Cumulative 6-month period ended			
	30.4.2020		30.4.2019	
	RM'000	%	RM'000	%
Local	10,796	77.97	11,552	79.41
Overseas	3,052	22.03	2,995	20.59
Total	13,848	100.00	14,547	100.00

A10. 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 been reflected in this interim financial report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period under review.

A12. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

A13. CAPITAL COMMITMENTS

Our Group's capital commitments in respect of property, plant and equipment which were not provided in the semi-annual financial statement as at 30 April 2020 are as follows:

	RM'000
In respect of property, plant and equipment:	
- Contracted but not provided for	1,780
- Approved but not contracted for	1,220
	<u>3,000</u>

SECTION B - ADDITIONAL INFORMATION REQUIRED BY THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

Revenue

	Unaudited			
	Cumulative 6 months ended			
	30.4.2020		30.4.2019	
	RM'000	%	RM'000	%
Manufacturing:				
• Biodegradable flower pots	6,643	47.97	6,863	47.18
• Planting media	2,770	20.00	2,760	18.97
• Others ⁽¹⁾	425	3.07	484	3.33
	9,839	71.04	10,107	69.48
Merchandising⁽²⁾	4,009	28.96	4,440	30.52
Total	13,848	100.00	14,547	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.

The Group recorded total revenue of RM13.85 million for the 1HFY20, decreased by RM0.70 million or 4.8% when compared to the Group's revenue of RM14.55 million for corresponding period in preceding financial year. The decrease was primarily attributable to temporary closure and restriction that were imposed on the Group's operation during Movement Control Order ("MCO") and reduced order from overseas as our overseas customers were in various stages of lockdown due to the COVID-19 situation.

Profit before tax

In tandem with lower revenue, the Group recorded a profit before tax ("PBT") of RM1.42 million for the 1HFY20, lowered by RM0.24 million as compared to the corresponding period in preceding year.

Tax expense

The Group recorded slightly higher effective tax rate, as compared to statutory tax, for the 1HFY20 due to non-deductible expenses of the Company and its subsidiaries.

B2. PROSPECTS

Despite there is gradual easing of lockdown measures, the Group anticipates a challenging year ahead taking into consideration the adverse impacts arising from COVID-19 on both the domestic and export markets. The Group expects the recovery of orders from export market will take a longer time, and at the same time, the Group's expansion plan for overseas market especially in South East Asia is temporarily disrupted due to travel restriction.

The construction of a new factory building adjacent to the Group's existing premise is temporarily deferred due to MCO and the construction process is expected to resume in July 2020 with completion anticipated by last quarter of year 2020.

In these challenging times, the Group has taken several actions to ensure business operation continuity and financial sustainability, including cost control measures and non-essential hiring freeze. The Board of Directors will endeavour to maintain the Group in a healthy financial position, which in turn will help to ensure the sustainability of our Group's operations.

Looking ahead, barring the temporary disruption and adverse impact caused by COVID-19 and any other unforeseen circumstances, the Board of Directors of Baba Eco is of the view that the outlook of landscaping industry and household expenditure on gardening activities will remain positive in the mid and long term, favourable to our Group's future growth.

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SECTION C - OTHER INFORMATION

C1. STATUS OF CORPORATE PROPOSAL

There was no corporate proposal announced but pending completion as at the date of this report.

C2. UTILISATION OF PROCEEDS

The status of the utilisation of proceeds from the Excluded Issue of RM3.58 million is as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation⁽¹⁾ RM'000	Balance RM'000	Estimated timeframe for utilisation upon listing
Capital expenditure	1,500	-	1,500	Within 24 months
R&D expenditure	500	-	500	Within 24 months
Overseas expansion	500	-	500	Within 24 months
Purchase of production equipment	800	800	-	Within 24 months
Working capital	275	-	275	Within 24 months
Total	3,575	800	2,775	

Note:

(1) Status of utilisation as at 25.6.2020.

C3. MATERIAL LIGATION

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

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C4. EARNINGS PER SHARE

Basic Earnings per Share (“BEPS”)

	Cumulative 6 months ended	
	30.4.2020	30.4.2019
	RM’000	RM’000
Profit attributable to owners of Baba Eco	1,058	1,240
Weighted average number of ordinary shares in issue (’000)	224,720	224,720 ⁽¹⁾
BEPS (sen)	0.47	0.55

Note:

(1) Based on the number of shares in issue after the proposed excluded issue of 27,500,000 in conjunction with the listing of the Company on LEAP Market.

Diluted Earnings per Share (“DEPS”)

No diluted earnings per share is disclosed as the Company does not have any dilutive potential ordinary shares (such as options or convertible instruments) in issue as at 30 April 2020.

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