

**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

Registration No. 201801006952 (1268966-W)
(Incorporated in Malaysia under the Companies Act, 2016)

**UNAUDITED FINANCIAL STATEMENTS
FOR THE 6-MONTHS FINANCIAL PERIOD ENDED 30 APRIL 2021**

**(APPENDIX 6A, PART A OF THE LEAP MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD)**

**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⁾
AS AT 30 APRIL 2021

	Unaudited 30.4.2021 RM'000	Audited 31.10.2020 RM'000
Non-Current Assets		
Property, plant and equipment ("PPE")	29,735	27,211
Other investments	4,611	4,611
	34,346	31,822
Current Assets		
Inventories	6,366	5,091
Trade receivables	11,187	9,441
Other receivables	275	780
Tax recoverable	14	9
Fixed deposit with a licensed bank	605	605
Cash and bank balances	16,317	13,112
	34,764	29,038
TOTAL ASSETS	69,110	60,860
Equity		
Share capital	23,237	23,237
Merger deficit	(18,822)	(18,822)
Retained earnings	41,861	35,124
	46,276	39,539
Non-controlling interests	357	188
Total equity	46,633	39,727
Non-Current Liabilities		
Lease liabilities	1,364	1,007
Borrowings	258	352
Amount due to a Director	1,875	2,105
Amount due to a Director of a subsidiary	1,875	2,105
Deferred tax liabilities	1,663	1,663
	7,035	7,232
Current Liabilities		
Trade payables	3,252	3,985
Other payables	2,082	1,831
Contract liabilities	370	763
Amount due to a Director	249	875
Amount due to a Director of a subsidiary	230	8
Lease liabilities	680	580
Borrowings	5,141	3,921
Tax payable	3,438	1,938
	15,442	13,901
Total liabilities	22,477	21,133
TOTAL EQUITY AND LIABILITIES	69,110	60,860
Net assets per ordinary share attributable to owners of Baba Eco ⁽²⁾ (sen)	20.59	17.59

Notes:

(1) The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 October 2020 ("FYE 2020") 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 at the end of the reporting period of 224,720,020 shares as at 30 April 2021.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED) ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2021**

	Individual 6 months ended		Cumulative 6 months ended	
	30.4.2021	30.4.2020	30.4.2021	30.4.2020
	RM'000	RM'000	RM'000	RM'000
Revenue	35,445	13,848	35,445	13,848
Cost of sales	(17,336)	(7,511)	(17,336)	(7,511)
Gross profit	18,109	6,337	18,109	6,337
Other income	251	164	251	164
Selling and distribution expenses	(2,973)	(1,238)	(2,973)	(1,238)
Administrative expenses	(4,564)	(3,687)	(4,564)	(3,687)
Other expenses	-	-	-	-
Profit from operations	10,823	1,576	10,823	1,576
Finance income	1	2	1	2
Finance costs	(160)	(154)	(160)	(154)
Profit before tax	10,664	1,424	10,664	1,424
Tax expense	(2,612)	(348)	(2,612)	(348)
Profit after tax/ Total comprehensive income	8,052	1,076	8,052	1,076
Profit for the financial period/ Total comprehensive income attributable to owners of Baba Eco				
- Owners of Baba Eco	7,883	1,058	7,883	1,058
- Non-controlling interests ("NCI")	169	18	169	18
	8,052	1,076	8,052	1,076
Earnings per share attributable to owners of Baba Eco:				
- Basic ⁽²⁾ (sen)	3.51	0.47	3.51	0.47
- Diluted ⁽²⁾ (sen)	N/A	N/A	N/A	N/A

Notes:

(1) The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the FYE 2020 and the accompanying explanatory notes attached to this interim financial report.

(2) Kindly refer to Note C5 for further details.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2021
(UNAUDITED)

	Share capital RM'000	Merger deficit RM'000	Retained earnings RM'000	NCI RM'000	Total equity RM'000
At 1.11.2019	23,237	(18,822)	27,405	56	31,876
Subscription of shares by NCI	-	-	-	40	40
Dividend	-	-	(449)	-	(449)
Total comprehensive income for the financial year	-	-	1,058	18	1,076
At 30.4.2020	23,237	(18,822)	28,014	114	32,543
At 1.11.2020	23,237	(18,822)	35,124	188	39,727
Dividend	-	-	(1,146)	-	(1,146)
Total comprehensive income for the financial year	-	-	7,883	169	8,052
At 30.4.2021	23,237	(18,822)	41,861	357	46,633

Note:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the FYE 2020 and the accompanying explanatory notes attached to this interim financial report.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2021 (UNAUDITED)**

	<u>NOTE</u>	Cumulative 6 months ended	
		30.4.2021 RM'000	30.4.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,664	1,424
<u>Adjustments for:</u>			
Unrealised gain on foreign exchange		(20)	(14)
Depreciation		597	529
Gain on disposal of property, plant and equipment		(63)	-
Interest income		(1)	(2)
Interest expense		160	154
Fair value gain on other investments		-	(3)
		<hr/>	<hr/>
Operating profit before working capital changes		11,337	2,088
Increase in inventories		(1,276)	(27)
(Increase)/Decrease in trade and other receivables		(1,220)	471
Decrease in trade and other payables		(482)	(1,928)
Decrease in contract liabilities		(392)	-
Net drawdown/(repayment) of bankers' acceptance		1,191	(511)
		<hr/>	<hr/>
Cash generated from operations		9,158	93
Tax paid		(1,118)	(610)
Interest paid		(119)	(99)
		<hr/>	<hr/>
Net cash from/(used in) operating activities		7,921	(616)
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1	2
Redemption of other investment		-	710
Purchase of property, plant and equipment		(3,121)	(408)
Proceeds from disposal of property, plant and equipment		63	-
		<hr/>	<hr/>
Net cash (used in)/from investing activities		(3,059)	304
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of term loans		(65)	(41)
Dividends paid		(1,146)	(449)
Proceeds from issuance of shares		-	40
Repayments to a Director		(856)	(106)
Repayments to a Director of a subsidiary		(8)	(8)
Net drawdown/(repayments) of lease liabilities/finance lease liabilities		419	(94)
		<hr/>	<hr/>
Net cash used in financing activities		(1,656)	(658)
		<hr/>	<hr/>
Net changes in cash and cash equivalents		3,206	(970)
Effects of foreign exchange		-	47
Cash and cash equivalents at beginning of the financial period		13,111	9,316
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	A	16,317	8,393

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2021 (UNAUDITED) (cont'd)**

	Cumulative 6 months ended	
	30.4.2021	30.4.2020
	RM'000	RM'000
A. Cash and cash equivalents comprise the following:		
Cash and bank balances	16,317	3,892
Short term placements with licensed banks	-	4,501
Fixed deposits pledged with a licensed bank	605	587
	16,922	8,980
Less: Fixed deposits pledged with a licensed bank	(605)	(587)
	16,317	8,393

Note:

(1) *The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the FYE 2020 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 Appendix 6A, Part A 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 2020 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 2020.

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 2020, 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 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*

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 April 2021

- Amendments to MFRS 16 *Covid-19 - Related Rent Concessions beyond 30 June 2021*

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*

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17
- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Definition of Accounting Estimates*

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 2020 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

Save for the impact due to Covid-19 pandemic on the overall economic and market environment, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 30 April 2021.

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 2021.

A7. DEBTS AND EQUITY SECURITIES

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

A8. 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 year 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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A8. SEGMENT INFORMATION (cont'd)

	Manufacturing	Merchandising	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Results					
Interest income	1	-	-	-	1
Interest expense	(122)	(38)	-	-	(160)
Depreciation	(540)	(57)	-	-	(597)
Other non-cash income/(expense)	63	20	-	-	83
Tax expense	(1,648)	(964)	-	-	(2,612)
Segment profit/(loss)	5,137	2,953	1,162	(1,200)	8,052
Assets					
Addition to PPE	2,318	4	-	-	2,322
Segment assets	57,237	11,598	23,386	(23,111)	69,110
Liabilities					
Segment liabilities	21,035	2,771	-	(1,329)	22,477

Other material non-cash income/(expense):

	Manufacturing	Merchandising	Others	Total
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of PPE	48	15	-	63
Unrealised gain on foreign exchange	15	5	-	20
	63	20	-	83

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A8. 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 months ended			
	30.4.2021		30.4.2020	
	RM'000	%	RM'000	%
Local				
Malaysia	29,239	82.49	10,796	77.97
Overseas				
Southeast Asia	4,672	13.18	2,286	16.51
Others	1,534	4.33	765	5.52
	6,206	17.51	3,052	22.03
Total	35,445	100.00	13,848	100.00

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.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

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

A11. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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 2021 are as follows:

	RM'000
In respect of property, plant and equipment:	
- Contracted but not provided for	328
- Approved but not contracted for	500
	<u>828</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			
	30.4.2021		30.4.2020	
	RM'000	%	RM'000	%
Manufacturing:				
• Biodegradable flower pots	18,773	52.96	6,644	47.98
• Planting media	6,758	19.07	2,770	20.00
• Others ⁽¹⁾	579	1.63	425	3.07
	26,110	73.66	9,839	71.05
Merchandising⁽²⁾	9,335	26.34	4,009	28.95
Total	35,445	100.00	13,848	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 RM35.45 million for the financial period ended 30 April 2021 (“1HFY21”), increased by approximately RM21.60 million or 155.96% when compared to the Group’s revenue of RM13.85 million for the corresponding period in preceding financial year. Higher sales were recorded from both manufacturing and merchandising segments. The improved sales performance was primarily attributable to the Group’s ongoing and effective digital marketing effort and the increase in customers’ awareness towards environmentally friendly and organic products.

Profit before tax

In tandem with higher revenue achieved during the 1HFY21 as explained above, coupled with improvement in operational efficiency and economies of scale, the Group recorded a higher profit before tax (“PBT”) of RM10.66 million for the 1HFY21, increased by approximately RM9.24 million or 650.70% when compared to the Group’s PBT of RM1.42 million for the corresponding period in preceding financial year.

B1. REVIEW OF PERFORMANCE (cont'd)

Tax expense

The Group recorded slightly higher than effective tax rate, as compared to statutory tax, for the 1HFY21 due to non-deductible expenses of the subsidiaries.

B2. PROSPECTS

The Board of Directors will continue to focus on strengthening its operational efficiencies and implement strict compliance with standard operating procedures in the Group's operation to safeguard the health and safety of employees. The Board of Directors will remain cautious in monitoring its operations closely, amid rise in cost of materials and Covid-19 issues as a threat to the economy climate.

The construction of the new factory building adjacent to the Group's existing premises has been completed. It is expected to contribute positively to the Group's performance with the increase in the Group's production capacity.

Due to the recent surge in the Covid-19 infections and travel restriction, the Group require more time to implement its expansion plan into overseas market. After careful deliberation, the Board has decided to extend the timeframe for the utilisation of proceeds for the R&D expenditure and the overseas expansion to 20 July 2023.

The Group's result has been improving and the Board of Directors is of the view that the outlook of the landscaping industry and household expenditures on gardening activities will remain positive. Accordingly, the Board of Directors is cautiously optimistic of the performance of the Group for the current financial year ending 31 October 2021.

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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	-	Fully utilised
R&D expenditure	500	-	500	By 20 July 2023
Overseas expansion	500	-	500	By 20 July 2023
Purchase of production equipment	800	800	-	Fully utilised
Working capital	275	275	-	Fully utilised
Total	3,575	2,575	1,000	

Note:

(1) Status of utilisation as at 15.6.2021.

C3. MATERIAL LIGATION

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

C4. DIVIDEND

On 30 December 2020, the Board declared an interim dividend of 0.51 sen per share on 224,720,020 shares amounting to RM1,146,072 in respect of the financial year ended 31 October 2020. The interim dividend was paid on 22 January 2021.

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C5. EARNINGS PER SHARE

Basic Earnings Per Share (“BEPS”)

	Cumulative 6 months ended	
	30.4.2021	30.4.2020
	RM'000	RM'000
Profit attributable to owners of Baba Eco	7,883	1,058
Weighted average number of ordinary shares in issue ('000)	224,720	224,720
BEPS (sen)	3.51	0.47

Diluted Earnings Per Share

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 issues as at 30 April 2021.

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