

**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 2022**

**(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 (THE “EXCHANGE”)**

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 EXCHANGE. 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 2022**

	Unaudited 30.4.2022 RM'000	Audited 31.10.2021 RM'000
Non-Current Assets		
Property, plant and equipment	29,916	28,354
Right-of-use assets	3,454	3,525
Deferred tax assets	3	17
Fixed deposit with a licensed bank	609	609
Other investments	4,690	4,690
	38,672	37,195
Current Assets		
Inventories	9,028	7,022
Trade receivables	6,461	10,363
Other receivables	7,355	2,602
Tax recoverable	28	18
Cash and bank balances	12,944	19,264
	35,816	39,269
TOTAL ASSETS	74,488	76,464
Equity		
Share capital	23,237	23,237
Merger deficit	(18,822)	(18,822)
Retained earnings	48,471	46,781
	52,886	51,196
Non-controlling interests ("NCI")	517	445
Total equity	53,403	51,641
Non-Current Liabilities		
Lease liabilities	1,609	1,872
Borrowings	1,231	1,420
Amount due to a Director	1,745	2,006
Amount due to a Director of a subsidiary	1,745	2,006
Deferred tax liabilities	2,557	2,688
	8,887	9,992
Current Liabilities		
Trade payables	1,860	4,007
Other payables	2,434	2,984
Contract liabilities	-	756
Amount due to a Director	310	124
Amount due to a Director of a subsidiary	360	111
Lease liabilities	982	971
Borrowings	5,191	4,239
Tax payable	1,061	1,639
	12,198	14,831
Total liabilities	21,085	24,823
TOTAL EQUITY AND LIABILITIES	74,488	76,464
Net assets per ordinary share attributable to owners of Baba Eco ⁽²⁾ (sen)	23.53	22.78

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 2021 ("FYE 2021") 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 2022.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2022 (UNAUDITED)**

	Individual 6 months ended		Cumulative 6 months ended	
	30.4.2022 RM'000	30.4.2021 RM'000	30.4.2022 RM'000	30.4.2021 RM'000
Revenue	25,904	35,445	25,904	35,445
Cost of sales	(14,152)	(17,336)	(14,152)	(17,336)
Gross profit	11,752	18,109	11,752	18,109
Other income	332	251	332	251
Selling and distribution expenses	(2,374)	(2,973)	(2,374)	(2,973)
Administrative expenses	(5,377)	(4,564)	(5,377)	(4,564)
Other expenses	(7)	-	(7)	-
Profit from operations	4,326	10,823	4,326	10,823
Finance income	1	1	1	1
Finance costs	(177)	(160)	(177)	(160)
Profit before tax	4,150	10,664	4,150	10,664
Tax expense	(883)	(2,612)	(883)	(2,612)
Profit after tax/ Total comprehensive income	3,267	8,052	3,267	8,052
Profit for the financial period/ Total comprehensive income attributable to owners of Baba Eco				
- Owners of Baba Eco	3,195	7,883	3,195	7,883
- Non-controlling interests ("NCI")	72	169	72	169
	3,267	8,052	3,267	8,052
Earnings per share attributable to owners of Baba Eco:				
- Basic ⁽²⁾ (sen)	1.42	3.51	1.42	3.51
- 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 2021 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 2022
(UNAUDITED)**

	Share capital RM'000	Merger deficit RM'000	Retained earnings RM'000	NCI RM'000	Total equity RM'000
At 1.11.2020	23,237	(18,822)	35,124	188	39,727
Dividend	-	-	(1,146)	-	(1,146)
Total comprehensive income for the financial period	-	-	7,883	169	8,052
At 30.4.2021	23,237	(18,822)	41,861	357	46,633
At 1.11.2021	23,237	(18,822)	46,781	445	51,641
Dividend	-	-	(1,505)	-	(1,505)
Total comprehensive income for the financial period	-	-	3,195	72	3,267
At 30.4.2022	23,237	(18,822)	48,471	517	53,403

Note:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the FYE 2021 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 2022 (UNAUDITED)**

	<u>NOTE</u>	Cumulative 6 months ended	
		30.4.2022	30.4.2021
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,150	10,664
<u>Adjustments for:</u>			
Unrealised gain on foreign exchange		(32)	(20)
Depreciation of property, plant and equipment		512	597
Depreciation of right-of-use assets		266	-
Property, plant and equipment written off		7	(63)
Interest income		(1)	(1)
Interest expense		177	160
		<hr/>	<hr/>
Operating profit before working capital changes		5,079	11,337
Increase in inventories		(2,006)	(1,276)
Decrease/(Increase) in trade and other receivables		4,723	(1,220)
Decrease in trade and other payables		(2,668)	(482)
Decrease in contract liabilities		(756)	(392)
Net drawdown of bankers' acceptance		884	1,191
		<hr/>	<hr/>
Cash generated from operations		5,256	9,158
Tax paid		(1,589)	(1,118)
Interest paid		(100)	(119)
		<hr/>	<hr/>
Net cash from operating activities		3,567	7,921
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1	1
Purchase of property, plant and equipment		(2,081)	(3,121)
Purchase of right-of-use assets		(195)	-
Payment for purchase of freehold land pending completion of title registration	B	(5,570)	-
Proceeds from disposal of property, plant and equipment		-	63
		<hr/>	<hr/>
Net cash used in investing activities		(7,845)	(3,059)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of term loans		(121)	(65)
Dividends paid		(1,505)	(1,146)
Repayments to a Director		(75)	(856)
Repayments to a Director of a subsidiary		(12)	(8)
Net (repayments)/drawdown of lease liabilities		(329)	419
		<hr/>	<hr/>
Net cash used in financing activities		(2,042)	(1,656)
		<hr/>	<hr/>
Net changes in cash and cash equivalents		(6,320)	3,206
Cash and cash equivalents at beginning of the financial period		19,264	13,111
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	A	12,944	16,317
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾
 FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2022 (UNAUDITED) (cont'd)**

	Cumulative 6 months ended	
	30.4.2022	30.4.2021
	RM'000	RM'000
A. Cash and cash equivalents comprise the following:		
Cash and bank balances	12,944	16,317
Fixed deposits pledged with a licensed bank	609	605
	<hr/> 13,553	<hr/> 16,922
Less: Fixed deposits pledged with a licensed bank	(609)	(605)
	<hr/> 12,944 <hr/>	<hr/> 16,317 <hr/>

B. Payment for purchase of freehold land pending completion of title registration

The payment made is currently classified under “Other Receivables”, to be reclassified to Property, Plant and Equipment upon completion of title registration.

Note:

(1) *The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the FYE 2021 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 2021 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 2021.

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 2021, except for the adoption of the following MFRSs and Amendments to MFRSs as disclosed below:

- Amendments to MFRS 16 *Covid-19 - Related Rent Concessions beyond 30 June 2021*
- Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction beyond 30 June 2021*

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 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 *Initial Application of MFRS 17 and MFRS 9—Comparative Information*
- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Definition of Accounting Estimates*
- Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 2021 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 and imposition of the wider lockdown in China 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 semi-annual period and financial period ended 30 April 2022.

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 2022.

A7. DEBTS AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the semi-annual period 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 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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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	(131)	(46)	-	-	(177)
Depreciation	(461)	(51)	-	-	(512)
Right-of-use depreciation	(240)	(26)	-	-	(266)
Other non-cash income/(expense)	19	6	-	-	25
Tax expense	(326)	(557)	-	-	(883)
Segment profit/(loss)	1,418	1,898	1,551	(1,600)	3,267
Assets					
Addition to PPE	2,003	78	-	-	2,081
Addition to ROU	121	74	-	-	195
Segment assets	63,510	11,718	23,409	(24,149)	74,488
Liabilities					
Segment liabilities	22,558	894	-	(2,367)	21,085

Other material non-cash income/(expense):

	Manufacturing	Merchandising	Others	Total
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment written off	(5)	(2)	-	(7)
Unrealised gain on foreign exchange	24	8	-	32
	19	6	-	25

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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			
	30.4.2022		30.4.2021	
	RM'000	%	RM'000	%
Local				
Malaysia	21,166	81.71	29,239	82.49
Overseas				
Southeast Asia	3,378	13.04	4,672	13.18
Others	1,360	5.25	1,534	4.33
	4,738	18.29	6,206	17.51
Total	25,904	100.00	35,445	100.00

A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Save for the completion of acquisition of a freehold vacant land for a total consideration of RM5.57 million by a wholly-owned subsidiary of the Company as per announcement made on 13 June 2022, 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 2022 are as follows:

	RM'000
In respect of property, plant and equipment:	
- Contracted but not provided for	648
- Approved but not contracted for	500
	<u>500</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			
	30.4.2022		30.4.2021	
	RM'000	%	RM'000	%
Manufacturing ⁽¹⁾ :	18,433	71.16	26,110	73.66
Merchandising ⁽²⁾	7,471	28.84	9,335	26.34
Total	25,904	100.00	35,445	100.00

Notes:

- (1) Consist of revenue derived from manufacturing of biodegradable flower pots, planting media and other plastic-injection-moulding products.
- (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 RM25.90 million for the financial period ended 30 April 2022 (“1HFY22”), decreased by approximately RM9.55million or 26.91% when compared to the Group’s revenue of RM35.45 million for the corresponding period in preceding financial year. The decrease in revenue from both manufacturing and merchandising segments was mainly due to:

- (i) the effect of normalisation in the gardening industry in terms of demand towards gardening related products as people gradually return to the workplace as the pandemic transition into the endemic; and
- (ii) reduced export orders from overseas customers and delay in export shipments due to the hike in shipping costs and disrupted shipping schedule respectively.

Profit before tax

The Group recorded a lower profit before tax (“PBT”) of RM4.15 million for the 1HFY22, decreased by approximately RM6.51 million or 61.07% when compared to the Group’s PBT of RM10.66 million for the corresponding period in preceding financial year mainly due to:

- (i) decrease in revenue as explained above; and
- (ii) decrease in gross profit margin as a result of rising raw material prices and increase in transportation and freight charges.

B1. REVIEW OF PERFORMANCE (cont'd)

Tax expense

The Group's effective tax rate for the 1HFY22 was lower than the statutory tax rate, mainly due to deferred tax movements arising from temporary differences of carrying amount of property, plant and equipment and its tax base.

B2. PROSPECTS

There has been a surge in demand for gardening and landscaping products which has boosted the sales of the Group during the various phases of movement control in Malaysia. As the country is transitioning into the endemic stage, where the economic and social activities are resuming to normal, the market demand for gardening products has experienced certain degree of moderation as the public gradually return to workplace.

Nevertheless, the Board of Directors is cautiously optimistic that the outlook of the landscaping industry and household expenditures on gardening activities will be on a positive growth trend in the mid and long term.

The Board of Directors will continue to focus on research and development to expand the Group's product range to cater for a wider customer base in the landscaping industry. In addition, in view of the rising operational costs, the Group is targeting to gradually transform the existing production processes towards automation in order to improve the production efficiency and mitigate the risk exposure to rising labour costs and shortages in manual labour.

Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic that the performance of the Group for the current financial year ending 31 October 2022 will remain positive.

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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 15.6.2022.

C3. MATERIAL LIGATION

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

C4. DIVIDEND

On 29 December 2021, the Board declared an interim dividend of 0.67 sen per share on 224,720,020 shares amounting to RM1,505,624 in respect of the financial year ended 31 October 2021. The interim dividend was paid on 17 January 2022.

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C5. EARNINGS PER SHARE

Basic Earnings Per Share (“BEPS”)

	Cumulative 6 months ended	
	30.4.2022	30.4.2021
	RM'000	RM'000
Profit attributable to owners of Baba Eco	3,195	7,883
Weighted average number of ordinary shares in issue ('000)	224,720	224,720
BEPS (sen)	1.42	3.51

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 2022.

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