



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 2023

**(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 2023**

	Unaudited 30.4.2023 RM'000	Audited 31.10.2022 RM'000
Non-Current Assets		
Property, plant and equipment	36,202	36,637
Right-of-use assets	3,843	4,262
Deferred tax assets	29	29
Fixed deposit with a licensed bank	620	620
Other investments	9,445	3,181
	50,139	44,729
Current Assets		
Inventories	5,661	6,698
Trade receivables	5,608	6,402
Other receivables	651	890
Tax recoverable	401	129
Cash and bank balances	13,215	14,773
	25,536	28,892
TOTAL ASSETS	75,675	73,621
Equity		
Share capital	23,237	23,237
Merger deficit	(18,822)	(18,822)
Foreign currency translation reserve	(9)	-
Retained earnings	51,335	50,670
	55,741	55,085
Non-controlling interests ("NCI")	669	544
Total equity	56,410	55,629
Non-Current Liabilities		
Lease liabilities	1,166	1,908
Borrowings	4,712	1,240
Amount due to a Director	1,596	1,883
Amount due to a Director of a subsidiary	1,646	1,883
Deferred tax liabilities	3,289	3,289
	12,409	10,203
Current Liabilities		
Trade payables	1,112	1,321
Other payables	1,035	1,829
Contract liabilities	37	209
Amount due to a Director	360	79
Amount due to a Director of a subsidiary	360	235
Lease liabilities	1,302	1,249
Borrowings	2,647	2,797
Tax payable	3	70
	6,856	7,789
Total liabilities	19,265	17,992
TOTAL EQUITY AND LIABILITIES	75,675	73,621
Net assets per ordinary share attributable to owners of Baba Eco ⁽²⁾ (sen)	24.80	24.51

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 2022 ("FYE 2022") 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 2023.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2023 (UNAUDITED)**

	Individual 6 months ended		Cumulative 6 months ended	
	30.4.2023	30.4.2022	30.4.2023	30.4.2022
	RM'000	RM'000	RM'000	RM'000
Revenue	16,817	25,904	16,817	25,904
Cost of sales	(9,003)	(14,152)	(9,003)	(14,152)
Gross profit	7,814	11,752	7,814	11,752
Other income	333	332	333	332
Selling and distribution expenses	(1,572)	(2,374)	(1,572)	(2,374)
Administrative expenses	(4,516)	(5,377)	(4,516)	(5,377)
Other expenses	(4)	(7)	(4)	(7)
Profit from operations	2,055	4,326	2,055	4,326
Finance income	45	1	45	1
Finance costs	(207)	(177)	(207)	(177)
Profit before tax	1,893	4,150	1,893	4,150
Tax expense	(526)	(883)	(526)	(883)
Profit after tax for the period	1,367	3,267	1,367	3,267
Other comprehensive expense, net of tax:				
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operation	(19)	-	(19)	-
Total comprehensive income for the period	1,348	3,267	1,348	3,267
Profit after tax attributable to:				
- Owners of Baba Eco	1,407	3,195	1,407	3,195
- Non-controlling interests ("NCI")	(40)	72	(40)	72
	1,367	3,267	1,367	3,267
Total comprehensive income attributable to:				
- Owners of Baba Eco	1,398	3,195	1,398	3,195
- NCI	(50)	72	(50)	72
	1,348	3,267	1,348	3,267
Earnings per share attributable to owners of Baba Eco:				
- Basic ⁽²⁾ (sen)	0.63	1.42	0.63	1.42
- 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 2022 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 2023
(UNAUDITED)**

	Share capital RM'000	Merger deficit RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	NCI RM'000	Total equity RM'000
At 1.11.2021	23,237	(18,822)	-	46,781	445	51,641
Total comprehensive income for the financial period	-	-	-	3,195	72	3,267
Transaction with owners:						
Dividend	-	-	-	(1,505)	-	(1,505)
Total transaction with owners	-	-	-	(1,505)	-	(1,505)
At 30.4.2022	23,237	(18,822)	-	48,471	517	53,403
At 1.11.2022	23,237	(18,822)	-	50,670	544	55,629
Total comprehensive income for the financial period	-	-	(9)	1,407	(50)	1,348
Transactions with owners:						
Dividend	-	-	-	(742)	-	(742)
Subscriptions of shares by NCI	-	-	-	-	175	175
Total transactions with owners	-	-	-	(742)	175	(567)
At 30.4.2023	23,237	(18,822)	(9)	51,335	669	56,410

Note:

(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the FYE 2022 and the accompanying explanatory notes attached to this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2023 (UNAUDITED)**

	<u>NOTE</u>	Cumulative 6 months ended	
		30.4.2023	30.4.2022
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,059	4,150
<u>Adjustments for:</u>			
Unrealised loss/(gain) on foreign exchange		20	(32)
Depreciation of property, plant and equipment		621	512
Depreciation of right-of-use assets		379	266
Property, plant and equipment written off		-	7
Loss on disposal of property, plant and equipment		3	-
Interest income		(45)	(1)
Interest expense		191	177
		<hr/>	<hr/>
Operating profit before working capital changes		3,228	5,079
Decrease/(Increase) in inventories		1,037	(2,006)
Decrease in trade and other receivables		1,013	4,723
Decrease in trade and other payables		(1,004)	(2,668)
Decrease in contract liabilities		(172)	(756)
Net (repayment)/drawdown of bankers' acceptance		(414)	884
		<hr/>	<hr/>
Cash generated from operations		3,688	5,256
Tax paid		(866)	(1,589)
Interest paid		(124)	(100)
		<hr/>	<hr/>
Net cash from operating activities		2,698	3,567
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		45	1
Purchase of property, plant and equipment		(334)	(2,081)
Termination/(Purchase) of right-of-use assets		40	(195)
Payment for purchase of freehold land pending completion of title registration	B	-	(5,570)
Grant received from Government		146	-
Placement of funds in other investments		(6,265)	-
		<hr/>	<hr/>
Net cash used in investing activities		(6,368)	(7,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown/(Repayments) of term loans		3,737	(121)
Dividends paid		(742)	(1,505)
Repayments to a Director		(113)	(75)
Repayments to a Director of a subsidiary		(6)	(12)
Repayments of lease liabilities		(755)	(329)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		2,121	(2,042)
Net changes in cash and cash equivalents		(1,549)	(6,320)
Effects of foreign current transaction		(9)	-
Cash and cash equivalents at beginning of the financial period		14,773	19,264
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	A	13,215	12,944

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾
 FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2023 (UNAUDITED) (cont'd)**

	Cumulative 6 months ended	
	30.4.2023	30.4.2022
	RM'000	RM'000
A. Cash and cash equivalents comprise the following:		
Cash and bank balances	13,215	12,944
Fixed deposits pledged with a licensed bank	620	609
	13,835	13,553
Less: Fixed deposits pledged with a licensed bank	(620)	(609)
	13,215	12,944

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

The payment made was classified under “Other Receivables”, and 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 2022 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 2022 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 2022.

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 2022, 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 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*

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 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*

Effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Classification of Liabilities as Current or Non-current*

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 2022 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 semi-annual period and financial period ended 30 April 2023.

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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 2023.

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	33	12	-	-	45
Interest expense	(138)	(53)	-	-	(191)
Depreciation	(469)	(152)	-	-	(621)
Right-of-use depreciation	(330)	(49)	-	-	(379)
Other non-cash expense	(16)	(7)	-	-	(23)
Tax expense	(282)	(244)	-	-	(526)
Segment profit/(loss)	892	641	715	(881)	1,367
Assets					
Addition to PPE	199	135	-	-	334
Termination of ROU	-	(40)	-	-	(40)
Segment assets	63,042	13,064	23,281	(23,712)	75,675
Liabilities					
Segment liabilities	19,307	1,292	15	(1,349)	19,265

Other material non-cash expense:

	Manufacturing	Merchandising	Others	Total
	RM'000	RM'000	RM'000	RM'000
Loss on disposal of property, plant and equipment	(2)	(1)	-	(3)
Unrealised loss on foreign exchange	(14)	(6)	-	(20)
	(16)	(7)	-	(23)

Geographical information

Segment revenue is based on geographical location from which the sales transactions originated. The following are revenue from external customers by geographical location:

	Unaudited			
	Cumulative 6 months ended			
	30.4.2023		30.4.2022	
	RM'000	%	RM'000	%
Local				
Malaysia	13,764	81.85	21,166	81.71
Overseas				
Southeast Asia	2,128	12.65	3,378	13.04
Others	925	5.50	1,360	5.25
	3,053	18.15	4,738	18.29
Total	16,817	100.00	25,904	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

The Group had, on 14 November 2022, subscribed for 45% of the total equity interest in Baba Eco (Thailand) Co., Ltd. (“BETC”) at the total cash consideration of RM142,816 (equivalent to Thai Baht 1,034,900). The Group considers BETC a subsidiary notwithstanding the total equity interest held is less than 50% as the Group is having control over the board composition, and the power to govern the financial and operating policies, of BETC.

The Group had, on 23 March 2023, subscribed for 40% of the total equity interest in The Nineties Organic Sdn. Bhd. (“TNO”) at the total cash consideration of RM150,000. The Group considers TNO a subsidiary notwithstanding the total equity interest held is less than 50% as the Group is having majority voting rights, and the power to govern the financial and operating policies, of TNO.

Save for the above, there were no other material events subsequent to the end of financial period under review that have not been reflected in this interim financial report and/or announced to Bursa Securities.

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 2023 are as follows:

	RM’000
In respect of property, plant and equipment:	
- Contracted but not provided for	-
- Approved but not contracted for	500
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SECTION B - ADDITIONAL INFORMATION REQUIRED BY THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

Revenue

	Unaudited			
	Cumulative 6 months ended			
	30.4.2023		30.4.2022	
	RM'000	%	RM'000	%
Manufacturing ⁽¹⁾ :	10,965	65.20	18,433	71.16
Merchandising ⁽²⁾	5,852	34.80	7,471	28.84
Total	16,817	100.00	25,904	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 RM16.82 million for the financial period ended 30 April 2023 (“1HFY23”), decreased by approximately RM9.08 million or 35.06% when compared to the Group’s revenue of RM25.90 million for the corresponding period in preceding financial year. The decrease in revenue from both manufacturing and merchandising segments was mainly due to:

- (i) demands from consumers towards gardening products and accessories decreased against the backdrop of an inflationary environment which led to reduces in purchasing power of the consumers;
- (ii) reduce in importation cost of chemical fertilisers and pesticides attributable to lower shipping cost which led to reduces in demands from agriculture market towards organic fertiliser; and
- (iii) reduced export orders from overseas customers were due to global inflationary pressures, shrinking in economy and softer demands from consumers, combine with customers’ high inventories level, there was lack in urgency from the overseas customers to place orders.

Profit before tax

The Group recorded a lower profit before tax (“PBT”) of RM1.89 million for the 1HFY23, decreased by approximately RM2.26 million or 54.46% when compared to the Group’s PBT of RM4.15 million for the corresponding period in preceding financial year mainly due to:

- (i) decrease in revenue as explained above;
- (ii) lower capacity utilisation, coupled with incurrence of fixed overhead costs, as well as higher labour cost as a result of implementation of minimum wages effective 1 May 2022; and
- (iii) start-up expenses in establishing subsidiary’s operation and business in Thailand.

B1. REVIEW OF PERFORMANCE (cont'd)

Tax expense

The Group's effective tax rate for the 1HFY23 was higher than the statutory tax rate, mainly due to certain subsidiaries company incurred losses.

B2. PROSPECTS

Our distribution hub in Thailand cater for Indo-China market has been successfully set up. Although the Group has incurred losses from the Thailand's operation to date due to start-up expenses such as rentals and administrative expenses, as at the date of this report, the Group has managed to secure sales order and the business operation in Thailand is expected to contribute positively to the Group once the business is established.

To expand market reach and increase its revenue, the Group will continue to explore more sales channel and develop broader range of organic products to the consumers and gain market access to new market such as farmer market. More new ideas towards product packaging designs and counters arrangement will be carried out by the Group to enhance the Group's value and brand awareness to the consumers. With regards to overseas markets, South East Asia region remained the main focus on the Group, we will continue to conduct more review meetings with existing customers and proposals to potential customers.

Internally, the Group will continue to focus on effective cost management across our operations to increase productivity and efficiency to lower both the production cost and administrative expenses. To enhance the Group's competitiveness, the Group has gradually transformed the existing production processes towards automation in order to improve the production efficiency.

The Group expect the business environment to be challenging for the rest the financial year due to geopolitical and inflationary environment which affecting the consumer demands. Nevertheless, the Board of Directors is 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 as the public is embracing Environmental, Social and Governance (ESG), which going green is one of the key action, and the Group's activities are closely aligned with the trend.

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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	347	153	By 20 July 2023
Purchase of production equipment	800	800	-	Fully utilised
Working capital	275	275	-	Fully utilised
Total	3,575	2,922	653	

Note:

(1) Status of utilisation as at 15.6.2023.

C3. MATERIAL LIGATION

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

C4. DIVIDEND

On 30 December 2022, the Board of Directors declared an interim dividend of 0.33 sen per share on 224,720,020 shares amounting to RM741,576 in respect of the financial year ended 31 October 2022. The interim dividend was paid on 17 January 2023.

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C5. EARNINGS PER SHARE

Basic Earnings Per Share (“BEPS”)

	Cumulative 6 months ended	
	30.4.2023	30.4.2022
	RM'000	RM'000
Profit attributable to owners of Baba Eco	1,407	3,195
Weighted average number of ordinary shares in issue ('000)	224,720	224,720
BEPS (sen)	0.63	1.42

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 2023.

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