



ECONFRAME BERHAD

Registration No. 201901042935 (1352265-T)
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 AUGUST 2022**

ECONFRAME BERHAD
Registration No. 201901042935 (1352265-T)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE
CURRENT QUARTER AND FINANCIAL YEAR ENDED 31 AUGUST 2022**

	Current Quarter ended 31 August		Financial Year ended 31 August	
	← Unaudited →		Unaudited	Audited
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue	16,323	4,983	59,395	40,985
Cost of sales	(11,068)	(3,508)	(38,939)	(27,606)
Gross profit	5,255	1,475	20,456	13,379
Other income	183	191	483	408
Administrative expenses ⁽²⁾	(1,217)	(1,406)	(4,930)	(5,737)
Distribution expenses	(266)	(40)	(971)	(835)
Operating profit	3,955	220	15,038	7,215
Finance costs	(5)	(7)	(21)	(31)
Profit before tax	3,950	213	15,017	7,184
Income tax expense	(988)	(180)	(3,778)	(2,103)
Profit for the financial year	2,962	33	11,239	5,081
Other comprehensive income, net of tax				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Net changes of revaluation reserve	-	135	-	135
Other comprehensive income for the financial year	-	135	-	135
Total comprehensive income for the financial year	2,962	168	11,239	5,216
Profit/(loss) for the financial year attributable to:				
- Owners of the Company	2,965	50	11,241	5,110
- Non-controlling interests	(3)	(17)	(2)	(29)
	2,962	33	11,239	5,081
Total comprehensive income/(loss) for the financial year attributable to:				
- Owners of the Company	2,965	185	11,241	5,245
- Non-controlling interests	(3)	(17)	(2)	(29)
	2,962	168	11,239	5,216
Earnings per share ⁽³⁾ attributable to owners of the Company:				
- Basic (sen)	0.91	0.02	3.46	1.62
- Diluted (sen)	0.91	0.02	3.46	1.62

Notes:

- 1) The basis of preparation of the unaudited condensed consolidated statements of profit or loss and other comprehensive income is disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 August 2021 (“AFS 2021”) and the accompanying explanatory notes attached to this interim financial report.
- 2) Includes listing expenses of RM0.29 million and RM1.17 million expensed out in the quarter ended 31 August 2021 and financial year ended 31 August 2021, respectively.
- 3) Earnings per share is calculated based on the weighted average number of ordinary shares as disclosed in Note B10.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022**

	Unaudited As at 31/08/2022 RM'000	Audited As at 31/08/2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,745	9,492
Investment property	300	300
	10,045	9,792
Current assets		
Inventories	14,695	8,509
Trade receivables	20,512	12,682
Other receivables, deposits and prepayments	2,505	3,631
Contract asset	25	-
Short-term deposits	16,253	18,175
Cash and bank balances	10,508	6,246
	64,498	49,243
Total assets	74,543	59,035
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Issued capital	43,330	43,330
Revaluation reserve	4,355	4,411
Reorganisation reserve	(25,825)	(25,825)
Retained earnings	41,679	32,007
	63,539	53,923
Non-controlling interests	(27)	(25)
Total equity	63,512	53,898
Non-current liabilities		
Loans and borrowings	246	333
Deferred taxation	1,293	1,292
	1,539	1,625
Current liabilities		
Loans and borrowings	272	277
Trade payables	6,048	1,778
Other payables and accruals	2,256	1,150
Contract liability	-	131
Tax payable	916	176
	9,492	3,512
Total liabilities	11,031	5,137
Total equity and liabilities	74,543	59,035
Net assets per share attributable to owners of the Company (sen)		
	19.55	16.59

Note:

- The basis of preparation of the unaudited condensed consolidated statement of financial position is disclosed in Note A1 and should be read in conjunction with the AFS 2021 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022**

	Non-Distributable reserve			Distributable reserve		Non-controlling interests	Total equity
	Share capital	Revaluation reserve	Reorganisation reserve	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Audited</u>							
Balance as at 1 September 2020	26,000	4,217	(25,825)	26,956	31,348	-	31,348
Profit/(loss) for the financial year	-	-	-	5,110	5,110	(29)	5,081
Net changes of revaluation reserve	-	250	-	(115)	135	-	135
Total comprehensive income/(loss) for the financial year	-	250	-	4,995	5,245	(29)	5,216
Realisation of revaluation reserve	-	(56)	-	56	-	-	-
Transactions with the owners:							
New shares issued for the initial public offering ("IPO")	18,200	-	-	-	18,200	-	18,200
New shares issuance expense for the IPO	(870)	-	-	-	(870)	-	(870)
Non-controlling interests arising from incorporation of a subsidiary	-	-	-	-	-	4	4
Total transactions with the owners:	17,330	-	-	-	17,330	4	17,334
Balance as at 31 August 2021	43,330	4,411	(25,825)	32,007	53,923	(25)	53,898

	Non-Distributable reserve			Distributable reserve		Non-controlling interests	Total equity
	Share capital	Revaluation reserve	Reorganisation reserve	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Unaudited</u>							
Balance as at 1 September 2021	43,330	4,411	(25,825)	32,007	53,923	(25)	53,898
Total comprehensive income/(loss) for the financial year	-	-	-	11,241	11,241	(2)	11,239
Realisation of revaluation reserve	-	(56)	-	56	-	-	-
Transaction with the owners:							
Interim single-tier dividend of 0.50 sen per ordinary share for the financial year ended 31 August 2022	-	-	-	(1,625)	(1,625)	-	(1,625)
Balance as at 31 August 2022	43,330	4,355	(25,825)	41,679	63,539	(27)	63,512

Note:

- 1) The basis of preparation of the unaudited condensed consolidated statement of changes in equity is disclosed in Note A1 and should be read in conjunction with the AFS 2021 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022**

	Financial Year ended 31 August	
	Unaudited 2022 RM'000	Audited 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	15,017	7,184
Adjustments for:		
Depreciation of property, plant & equipment	457	437
Bad debts written off	62	36
Finance costs	21	31
Interest income	(311)	(265)
Net unrealised foreign exchange gain	(16)	(8)
Operating profit before changes in working capital	15,230	7,415
Changes in Working Capital:		
Inventories	(6,186)	(4,871)
Trade and other receivables	(6,766)	(3,264)
Trade and other payables	5,393	397
Contract asset	(25)	-
Contract liability	(131)	131
Net cash generated from/(used in) operations	7,515	(192)
Income tax paid	(3,037)	(2,150)
Income tax refunded	-	64
Net cash flows generated from/(used in) operating activities	4,478	(2,278)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(496)	(167)
Change in pledged deposits	(120)	(153)
Interest income	272	265
Net cash flows used in investing activities	(344)	(55)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	-	18,200
Proceeds from non-controlling interests arising from incorporation of a subsidiary	-	4
Dividend paid	(1,625)	-
Repayment of term loans	(239)	(253)
Repayment of lease liabilities	(88)	(60)
Net cash flows (used in)/from financing activities	(1,952)	17,891
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	2,182	15,558
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	21,573	6,015
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	23,755	21,573

Note:

- 1) The basis of preparation of the above unaudited condensed consolidated statement of cash flows is disclosed in Note A1 and should be read in conjunction with the AFS 2021 and the accompanying explanatory notes attached to this interim financial report.

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

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134 “Interim Financial Reporting” and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The unaudited interim financial report should be read in conjunction with the AFS 2021 and the accompanying explanatory notes are attached to this interim financial report.

The accounting policies adopted for the interim financial report are consistent with those adopted for the AFS 2021 except for the adoption of standard and amendments to standards that are mandatory for the Group for the financial year beginning 1 September 2021:

Amendments/Improvements to MFRSs

MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of these amendments to standard did not have any material impact on the interim financial report of the Group.

A2 Auditors’ report

The audit report of the Group’s AFS 2021 was not qualified.

A3 Seasonal or cyclical factors

The Group's operations were not subjected to any significant seasonal or cyclical factors.

A4 Material unusual items

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial year under review.

A5 Changes in estimates

There were no changes in the nature and estimates of amounts reported which have a material effect on the results for the current financial year under review.

A6 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial year under review.

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A7 Dividend paid

Dividend paid during the current financial year under review is as follow:

	RM'000
Interim single-tier dividend of 0.50 sen per ordinary share for the financial year ended 31 August 2022, paid on 27 May 2022	1,625

A8 Segment information

The unaudited segment information for the current quarter and financial year ended 31 August 2022 are as follows:

	Current Quarter ended 31 August		Financial Year ended 31 August	
	← Unaudited →		Unaudited	Audited
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	13,702	4,362	50,499	33,901
Inter-segment revenue	(186)	(25)	(722)	(430)
	13,516	4,337	49,777	33,471
Trading	2,807	646	9,618	7,514
	16,323	4,983	59,395	40,985
Segment profit				
Manufacturing	3,941	1,333	17,559	11,425
Trading	1,314	142	2,897	1,954
	5,255	1,475	20,456	13,379
Other income	183	191	483	408
Unallocated expenses	(1,483)	(1,446)	(5,901)	(6,572)
Finance costs	(5)	(7)	(21)	(31)
Income tax expense	(988)	(180)	(3,778)	(2,103)
Profit for the financial year	2,962	33	11,239	5,081

A9 Valuation of property, plant and equipment and investment property

The Group has carried out valuations on its property, plant and equipment and investment property during the current financial year under review. There were no adjustments on fair value for the property, plant and equipment and investment property in the current financial year under review.

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A10 Material events subsequent to the end of the financial year

On 21 October 2022, the Company announced that its wholly-owned subsidiary, Econframe Marketing Sdn. Bhd., had entered into a conditional sale and purchase agreement with JC Senco Realty Sdn. Bhd. (formerly known as *JC Jaya Realty Sdn. Bhd.*), to acquire a parcel of industrial property comprising a single-storey warehouse with mezzanine floor and annexed double-storey office building, refuse chamber and guard house (“Property”) for a cash consideration of RM8.13 million. The acquisition of the Property is expected to be completed by the first half of 2023.

Other than the above, there was no material event subsequent to the end of the financial year under review.

A11 Changes in the composition of the group

There were no changes to the composition of the Group for the financial year under review.

A12 Capital commitments

Approved capital commitments not provided for at the end of reporting year are as follows:

	RM'000
Property, plant and equipment	
Contracted	846
Not contracted	10,509
	<u>11,355</u>

The approved capital commitments are in relation to the proposed acquisition of the Property of RM8.13 million and machinery for automation of manufacturing process of RM3.23 million as disclosed in Note B6.

A13 Significant related party transactions

There were no material related party transactions during the current financial year under review.

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B ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET

B1 Review of performance

	Current Quarter ended 31 August				Cumulative Quarter ended 31 August			
	2022	2021	Variance		2022	2021	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	16,323	4,983	11,340	>100	59,395	40,985	18,410	45
Profit before tax	3,950	213	3,737	>100	15,017	7,184	7,833	>100
Profit after tax	2,962	33	2,929	>100	11,239	5,081	6,158	>100

Current quarter ended 31 August 2022 (“4Q 2022”) compared with preceding year corresponding quarter ended 31 August 2021 (“4Q 2021”)

The Group recorded revenue of RM16.32 million in 4Q 2022 as compared to RM4.98 million in 4Q 2021, an increase of RM11.34 million. The increase in revenue was mainly due to greater volume of customers’ orders fulfilled during 4Q 2022. The lower revenue in 4Q 2021 was also mainly due to work stoppages arising from the imposition of various movement control orders during 4Q 2021 which resulted in delays in revenue recognition of scheduled deliveries for unfulfilled purchase orders.

The Group’s profit before tax in 4Q 2022 was RM3.95 million as compared to RM0.21 million in 4Q 2021, an increase of RM3.74 million. The higher profit before tax was in line with the higher revenue recorded.

Financial year ended 31 August 2022 (“FY 2022”) compared with financial year ended 31 August 2021 (“FY 2021”)

The Group recorded revenue of RM59.4 million for FY 2022 as compared to RM40.99 million for FY 2021, an increase of RM18.41 million. The higher revenue by RM16.31 million was mainly contributed from the manufacturing segment, driven by higher sales outputs and higher selling prices for metal door frames. The higher selling price was mainly due to adjustment made following the increase in raw material cost.

The Group’s profit before tax for FY 2022 was RM15.02 million as compared to RM7.18 million for FY 2021, an increase of RM7.8 million. The higher profit before tax was in line with the higher revenue recorded and lower administrative expenses. The administrative expenses for FY 2022 was lower mainly due to listing expenses having been fully expensed off in the previous financial year.

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B2 Comparison with immediate preceding quarter's results

	Current Quarter ended 31 August 2022 RM'000	Preceding Quarter ended 31 May 2022 RM'000	Variance	
			RM'000	%
Revenue	16,323	15,093	1,230	8
Profit before tax	3,950	4,017	(67)	-2
Profit after tax	2,962	3,023	(61)	-2

Current quarter ended 31 August 2022 ("4Q 2022") compared with immediate preceding quarter ended 31 May 2022 ("3Q 2022")

The Group recorded an increase in revenue of RM1.23 million to RM16.32 million in 4Q 2022 as compared to RM15.09 million in 3Q 2022. The increase in revenue was mainly contributed by the manufacturing segment, driven by higher sales outputs and higher selling prices due to adjustment made following the increase in raw material cost.

Despite higher revenue recorded, the Group recorded a decrease in profit before tax of RM0.07 million in 4Q 2022 mainly due to higher operational costs.

B3 Prospects

Despite the recovery of the Malaysian economy from Covid-19, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions. As such the business outlook is expected to remain challenging for the next financial year.

The Group remained cautiously optimistic that the unfulfilled orders in hand will continue to provide the Group with a steady revenue for the next financial year.

Additionally, the Group will continue to seek avenues to enhance its financial performance and to take all proactive measures to ensure the existing business remains sustainable.

B4 Profit forecast / Profit guarantee

The Group did not issue any profit forecast or profit guarantee in any public documents.

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B5 Taxation

	Current Quarter ended 31 August		Financial Year ended 31 August	
	← Unaudited →		Unaudited	Audited
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Current income tax charge	980	214	3,792	2,222
Overprovision in respect of prior years	-	-	(15)	(117)
Deferred tax				
Origination/(reversal) of temporary differences	9	(30)	(1)	2
(Over)/underprovision in respect of prior years	(1)	(4)	2	(4)
Total tax expense	988	180	3,778	2,103

The Group's effective tax rates for the current quarter and financial year ended 31 August 2022 were higher than the statutory income tax rate mainly due to higher non-tax deductible expenses.

B6 Status of corporate proposals and utilisation of proceeds

a) Status of corporate proposals

- i. On 22 July 2022, the Company had announced that the Company proposes to undertake the bonus issue of warrants ("Warrants") of up to 162,500,000 warrants on the basis of 1 Warrant for every 2 existing ordinary shares held by the entitled shareholders on an entitlement date to be determined and announced later ("Proposed Bonus Issue of Warrants"). The additional listing application for the Proposed Bonus Issue of Warrants was submitted to Bursa Securities on 2 September 2022 and is pending approval.
- ii. On 21 October 2022, the Company announced that its wholly-owned subsidiary, Econframe Marketing Sdn. Bhd., had entered into a conditional sale and purchase agreement with JC Senco Realty Sdn. Bhd. (*formerly known as JC Jaya Realty Sdn. Bhd.*), to acquire the Property for a cash consideration of RM8.13 million. The acquisition of the Property is expected to be completed by the first half of 2023.

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B6 Status of corporate proposals and utilisation of proceeds (Cont'd)

b) Utilisation of proceeds – Public issue

As at 31 August 2022, the IPO proceeds from the public issue amounting to RM18.20 million was utilised in the following manner:

Purpose	Proposed Utilisation RM'000	Actual Utilised RM'000	Unutilised Amount RM'000	Estimated timeframe for utilisation from Listing
Land acquisition and construction of new manufacturing facility ⁽¹⁾	5,000	-	5,000	Within 36 months ⁽²⁾
Automation of manufacturing process	4,000	(775)	3,225	Within 36 months ⁽²⁾
Working capital	6,200	(6,200)	-	Within 18 months
Estimated listing expenses	3,000	(3,000)	-	Within 1 month
	<u>18,200</u>	<u>(9,975)</u>	<u>8,225</u>	

Notes:

- On 21 October 2022, the Company announced that its wholly-owned subsidiary, Econframe Marketing Sdn. Bhd., had entered into a conditional sale and purchase agreement with JC Senco Realty Sdn. Bhd. (formerly known as JC Jaya Realty Sdn. Bhd.), to acquire the Property for a cash consideration of RM8.13 million.
- On 21 October 2022, the Company also announced the extension of timeframe for the utilisation of proceeds from within 24 months to within 36 months.

B7 Loans and borrowings

The Group's borrowings were as follows:

	Unaudited As at 31/08/2022 RM'000	Audited As at 31/08/2021 RM'000
Secured:		
Current Liabilities		
Term loans	154	210
Lease liabilities	118	67
	<u>272</u>	<u>277</u>
Non-Current Liabilities		
Term loans	80	249
Lease liabilities	166	84
	<u>246</u>	<u>333</u>
Total Group's borrowings	<u>518</u>	<u>610</u>

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B8 Material litigation

The Group has no outstanding material litigation as at the date of this interim financial report.

B9 Dividends

- a) No dividend has been proposed or declared for the current quarter ended 31 August 2022.
- b) An interim single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 August 2022 was paid on 27 May 2022.

B10 Earnings per share

The basic and diluted earnings per share for the current quarter and financial year ended 31 August 2022 are calculated as follows:

	Current Quarter ended 31 August		Financial Year ended 31 August	
	← Unaudited →		Unaudited	Audited
	2022	2021	2022	2021
Profit attributable to owners of the Company (RM'000)	2,965	50	11,241	5,110
Weighted average number of ordinary shares in issue ('000)	325,000	325,000	325,000	314,849
Basic earnings per share (sen)	0.91	0.02	3.46	1.62
Diluted earnings per share (sen) ⁽¹⁾	0.91	0.02	3.46	1.62

Note:

- (1) Diluted earnings per share for the current quarter and financial year ended 31 August 2022 are equivalent to the basic earnings per share for the current quarter and financial year ended 31 August 2022 as the Company does not have any convertible securities as at the end of the reporting year.

B11 Disclosure on selected expense/(income) items as required by the Listing Requirements

	Current Quarter ended 31 August		Financial Year ended 31 August	
	← Unaudited →		Unaudited	Audited
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditor's remuneration				
- current year	32	31	128	128
Depreciation	126	116	457	437
Finance costs	5	7	21	31
Interest income	(103)	(106)	(311)	(265)
Net realised loss on foreign exchange	14	6	102	114
Rental expense	78	11	96	27

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By Order of the Board

CHENG CHIA PING (MAICSA 1032514)
Company Secretary
Kuala Lumpur
21 October 2022