



ECONFRAME BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2023**

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 PERIOD ENDED 28 FEBRUARY 2023**

	← Unaudited →			
	Current Quarter ended 28 February 2023		Cumulative Quarter ended 28 February 2023	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue	18,432	14,678	35,298	27,979
Cost of sales	(11,947)	(9,692)	(24,120)	(18,292)
Gross profit	6,485	4,986	11,178	9,687
Other income	86	105	217	220
Administrative expenses	(1,914)	(1,346)	(3,298)	(2,413)
Distribution expenses	(195)	(226)	(473)	(433)
Operating profit	4,462	3,519	7,624	7,061
Finance costs	(5)	(5)	(10)	(11)
Profit before tax	4,457	3,514	7,614	7,050
Income tax expense	(1,294)	(897)	(2,118)	(1,796)
Profit for the financial period	3,163	2,617	5,496	5,254
Other comprehensive income, net of tax				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Movement of revaluation reserve	1,564	-	1,564	-
Other comprehensive income for the financial period	1,564	-	1,564	-
Total comprehensive income for the financial period	4,727	2,617	7,060	5,254
Profit for the financial period attributable to:				
- Owners of the Company	3,160	2,584	5,494	5,246
- Non-controlling interests	3	33	2	8
	3,163	2,617	5,496	5,254
Total comprehensive income for the financial period attributable to:				
- Owners of the Company	4,724	2,584	7,058	5,246
- Non-controlling interests	3	33	2	8
	4,727	2,617	7,060	5,254
Earnings per share attributable to owners of the Company:				
- Basic (sen)	0.97	0.80	1.69	1.61
- Diluted (sen)	0.96	0.80	1.68	1.61

Note:

- 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 2022 (“AFS 2022”) and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2023**

	Unaudited As at 28/02/2023 RM'000	Audited As at 31/08/2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,020	9,745
Investment property	300	300
	20,320	10,045
Current assets		
Inventories	13,220	14,695
Trade receivables	22,053	20,512
Other receivables, deposits and prepayments	4,212	2,505
Contract asset	-	25
Short-term deposits	11,816	16,253
Cash and bank balances	9,516	10,508
	60,817	64,498
Total assets	81,137	74,543
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Issued capital	45,990	43,330
Revaluation reserve	5,890	4,355
Reorganisation reserve	(25,825)	(25,825)
Retained earnings	47,202	41,679
	73,257	63,539
Non-controlling interests	(25)	(27)
Total equity	73,232	63,512
Non-current liabilities		
Loans and borrowings	133	246
Deferred taxation	1,650	1,293
	1,783	1,539
Current liabilities		
Loans and borrowings	240	272
Trade payables	2,145	6,048
Other payables and accruals	2,196	2,256
Tax payable	1,541	916
	6,122	9,492
Total liabilities	7,905	11,031
Total equity and liabilities	81,137	74,543
Net assets per share attributable to owners of the Company (sen)		
	22.11	19.55

Note:

- 1) 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 2022 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 PERIOD ENDED 28 FEBRUARY 2023**

	Non-Distributable reserve			Distributable reserve	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Revaluation reserve RM'000	Reorganisation reserve RM'000	Retained earnings RM'000			
Unaudited							
Balance as at 1 September 2021	43,330	4,411	(25,825)	32,007	53,923	(25)	53,898
Total comprehensive income for the financial period	-	-	-	5,246	5,246	8	5,254
Realisation of revaluation reserve	-	(28)	-	28	-	-	-
Balance as at 28 February 2022	43,330	4,383	(25,825)	37,281	59,169	(17)	59,152

	Non-Distributable reserve			Distributable reserve	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Revaluation reserve RM'000	Reorganisation reserve RM'000	Retained earnings RM'000			
Unaudited							
Balance as at 1 September 2022	43,330	4,355	(25,825)	41,679	63,539	(27)	63,512
Profit for the financial period	-	-	-	5,494	5,494	2	5,496
Other comprehensive income	-	1,564	-	-	1,564	-	1,564
Total comprehensive income for the financial period	-	1,564	-	5,494	7,058	2	7,060
Realisation of revaluation reserve	-	(29)	-	29	-	-	-
Transaction with the owners:							
Issuance of ordinary shares pursuant to warrant exercised	2,660	-	-	-	2,660	-	2,660
Balance as at 28 February 2023	45,990	5,890	(25,825)	47,202	73,257	(25)	73,232

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 2022 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 PERIOD ENDED 28 FEBRUARY 2023**

	Unaudited Cumulative Quarter ended 28 February	
	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,614	7,050
Adjustments for:		
Depreciation of property, plant & equipment	277	220
Bad debts written off	67	31
Finance costs	10	11
Interest income	(159)	(141)
Net unrealised foreign exchange loss	16	-
Operating profit before changes in working capital	7,825	7,171
Changes in Working Capital:		
Inventories	1,475	(5,492)
Trade and other receivables	(1,495)	(5,211)
Trade and other payables	(4,626)	2,898
Contract asset	25	(25)
Contract liability	-	(131)
Net cash generated from operations	3,204	(790)
Income tax paid	(1443)	(1,043)
Net cash flows generated from/(used in) operating activities	1,761	(1,833)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,682)	(171)
Change in pledged deposits	(60)	(60)
Interest income	159	141
Other investing activity ⁽²⁾	(1,820)	-
Net cash flows used in investing activities	(10,403)	(90)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from warrant conversion	3,307	-
Repayment of term loans	(91)	(138)
Repayment of lease liabilities	(63)	(39)
Net cash flows from/(used in) financing activities	3,153	(177)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,489)	(2,100)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	23,755	21,573
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	18,266	19,473

Notes:

- 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 2022 and the accompanying explanatory notes attached to this interim financial report.
- 2) The other investing activity represents the 10% of the purchase consideration paid for the proposed acquisitions as disclosed in Note B6 (a)(iii).

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 2022 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 2022 except for the adoption of standard and amendments to standards that are mandatory for the Group for the financial year beginning 1 September 2022:

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Annual Improvements to MFRSs 2018–2020	

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 2022 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 period 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 period under review.

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A6 Debt and equity securities

During the financial period ended 28 February 2023, the issued share capital of the Company was increased from 325,000,000 to 331,332,200 pursuant to the issuance of 6,332,200 new ordinary shares arising from the exercise of warrants at the exercise price of RM0.42 for cash of RM2,659,524.

Other than the above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial period under review.

A7 Dividend paid

There were no dividends paid during the current financial period under review.

A8 Segment information

The unaudited segment information for the current quarter and financial period ended 28 February 2023 are as follows:

	← Unaudited →			
	Current Quarter ended 28 February		Cumulative Quarter ended 28 February	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	16,755	12,375	31,969	23,867
Inter-segment revenue	(526)	(175)	(831)	(386)
	16,229	12,200	31,138	23,481
Trading	2,203	2,478	4,160	4,498
	18,432	14,678	35,298	27,979
Segment profit				
Manufacturing	5,932	4,280	10,114	8,512
Trading	553	706	1,064	1,175
	6,485	4,986	11,178	9,687
Other income	86	105	217	220
Unallocated expenses	(2,109)	(1,572)	(3,771)	(2,846)
Finance costs	(5)	(5)	(10)	(11)
Income tax expense	(1,294)	(897)	(2,118)	(1,796)
Profit for the financial period	3,163	2,617	5,496	5,254

A9 Valuation of property, plant and equipment and investment property

The Group has not carried out any valuation on its property, plant and equipment in the current financial period under review.

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A10 Material events subsequent to the end of the financial period

Save as disclosed in Note B6(a), there was no material event subsequent to the end of the financial period under review.

A11 Changes in the composition of the group

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

A12 Capital commitments

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

	RM'000
Property, plant and equipment	
Contracted	855
Not contracted	2,379
	<hr/>
	3,234
	<hr/>

The approved capital commitments are in relation to the acquisition of machinery for automation of manufacturing process as disclosed in Note B6.

A13 Significant related party transactions

There were no material related party transactions during the current financial period 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 28 February				Cumulative Quarter ended 28 February			
	2023	2022	Variance		2023	2022	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	18,432	14,678	3,754	26	35,298	27,979	7,319	26
Profit before tax	4,457	3,514	943	27	7,614	7,050	564	8
Profit after tax	3,163	2,617	546	21	5,496	5,254	242	5

Current and cumulative quarter ended 28 February 2023 (“2Q 2023”) compared with preceding year corresponding quarter ended 28 February 2022 (“2Q 2022”)

The Group recorded revenue of RM18.43 million in 2Q 2023 as compared to RM14.68 million in 2Q 2022, an increase of RM3.75 million. The increase in revenue was mainly contributed by the manufacturing segment which was driven by the higher sales orders for metal door frames in 2Q 2023.

The Group’s profit before tax in 2Q 2023 was RM4.46 million as compared to RM3.51 million in 2Q 2022, an increase of RM0.94 million. The higher profit before tax was in line with the higher revenue recorded.

Cumulative six months ended 28 February 2023 (“YTD 2Q 2023”) compared with cumulative six months ended 28 February 2022 (“YTD 2Q 2022”)

The Group recorded revenue of RM35.3 million for YTD 2Q 2023 as compared to RM27.98 million for YTD 2Q 2022, an increase of RM7.32 million. The higher revenue by RM7.13 million was mainly contributed from the manufacturing segment, driven by higher billings 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.

In line with the higher revenue, the Group recorded a profit before tax of RM7.61 million, an increase of RM0.56 million in YTD 2Q 2023. The increase in profit before tax was however offset by higher administrative expenses. The higher administrative expenses in YTD 2Q 2023 was mainly due to higher payroll related expenses and professional fees incurred.

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B2 Comparison with immediate preceding quarter's results

	Current Quarter ended 28 February 2023	Preceding Quarter ended 30 November 2022	Variance	
	RM'000	RM'000	RM'000	%
Revenue	18,432	16,866	1,566	9
Profit before tax	4,457	3,157	1,300	41
Profit after tax	3,163	2,333	830	36

Current quarter ended 28 February 2023 ("2Q 2023") compared with immediate preceding quarter ended 30 November 2022 ("1Q 2023")

The Group recorded an increase in revenue of RM1.57 million to RM18.43 million in 2Q 2023 as compared to RM16.87 million in 1Q 2023. The increase in revenue was mainly contributed by the manufacturing segment which was driven by the higher sales orders for metal door frames in 2Q 2023.

The Group's profit before tax in 2Q 2023 was RM4.46 million as compared to RM3.16 million in 1Q 2023, an increase of RM1.3 million. The higher profit before tax in 2Q 2023 was mainly due to higher revenue recorded and improvement in gross profit margin contributed by the manufacturing segment.

B3 Prospects

While economic growth is set to slow down in 2023, the Group remained cautiously optimistic to sustain its business performance as the market demand for the Group's products continues to remain firm. It is also encouraging to note that in the recently announced revised Budget 2023, the government continued with the exemption of stamp duty for first home ownership which is expected to positively impact the property sector of which the Group is dependent on.

The Group will continue to implement its business strategies cautiously as well as to closely monitor and continue to adapt to the challenging and uncertain economic environment 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

	← Unaudited →			
	Current Quarter ended 28 February		Cumulative Quarter ended 28 February	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current income tax				
Current income tax charge	1,244	898	2,068	1,798
Deferred tax				
Origination/(reversal) of temporary differences	50	(1)	50	(5)
Underprovision in respect of prior years	-	-	-	3
Total tax expense	1,294	897	2,118	1,796

The Group's effective tax rates for the current quarter and cumulative quarter ended 28 February 2023 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 announced the bonus issue of up to 162,500,000 Warrants on the basis of 1 Warrant for every 2 existing ordinary shares held ("Bonus Issue of Warrants").

Bursa Securities approved the issuance of the Warrants vide its letter dated 9 November 2022 and approval from the shareholders for the Bonus Issue of Warrants was obtained on 30 November 2022. The Bonus Issue of Warrants was completed on 27 December 2022 following the listing of and quotation for 162,499,998 Warrants on the ACE Market of Bursa Securities.

- 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 a parcel of industrial property comprising a single-storey warehouse with mezzanine floor and annexed double-storey office building, refuse chamber and guard house ("Acquisition of Property") for a cash consideration of RM8.13 million. The Acquisition of Property was completed on 17 January 2023.

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

a) Status of corporate proposals (cont'd)

iii. On 17 January 2023, the Company announced that it had entered into the following agreements with Yong Kuen Hwan:

- a. conditional share sale agreement for the proposed acquisition of 162,500 ordinary shares in the share capital of Lee & Yong Aluminium Sdn Bhd (“LYASB”), representing 65% equity interest in LYASB for a purchase consideration of RM17,200,000 of which RM8,100,000 is to be satisfied by cash and the remaining RM9,100,000 shall be via the issuance and allotment of 10,459,770 new ordinary shares in the Company at an issue price of RM0.87 per ordinary share; and
- b. conditional share sale agreement for the acquisition of 29,184 ordinary shares in the share capital of Trans United Sdn Bhd (“TUSB”), representing 100% equity interest in TUSB for a cash purchase consideration of RM1,000,000.

On 15 March 2023, Bursa Securities approved the Company's application for extension of time up until 17 May 2023 to submit the additional listing application.

b) Utilisation of proceeds – Public issue

As at 28 February 2023, 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>(14,975)</u>	<u>3,225</u>	

Notes:

- 1) The Acquisition of Property was completed on 17 January 2023.
- 2) On 21 October 2022, the Company announced the extension of timeframe for the utilisation of proceeds from within 24 months to within 36 months (i.e. by 27 October 2023).

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B7 Loans and borrowings

The Group's borrowings were as follows:

	Unaudited As at 28/02/2023 RM'000	Audited As at 31/08/2022 RM'000
Secured:		
Current Liabilities		
Term loans	129	154
Lease liabilities	111	118
	240	272
Non-Current Liabilities		
Term loans	19	80
Lease liabilities	114	166
	133	246
Total Group's borrowings	373	518

B8 Material litigation

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

B9 Dividends

The Directors have not recommended or declared any dividend for the current financial period ended 28 February 2023.

B10 Earnings per share ("EPS")

The basic and diluted EPS for the current quarter and cumulative quarter ended 28 February 2023 are calculated as follows:

	← Unaudited →			
	Current Quarter		Cumulative Quarter	
	ended 28 February	2022	ended 28 February	2022
	2023	2022	2023	2022
Profit attributable to owners of the Company (RM'000)	3,160	2,584	5,494	5,246
Weighted average number of ordinary shares in issue ('000) <i>(for the computation of basic EPS)</i>	326,040	325,000	325,514	325,000
Adjustment for dilutive effect of warrants	1,970	-	979	-
Weighted average number of ordinary shares in issue ('000) <i>(for the computation of diluted EPS)</i>	328,010	325,000	326,493	325,000
Basic EPS (sen)	0.97	0.80	1.69	1.61
Diluted EPS (sen)	0.96	0.80	1.68	1.61

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

	← Unaudited →			
	Current Quarter ended 28 February		Cumulative Quarter ended 28 February	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditor's remuneration				
- current period	34	32	69	64
- prior period	12	-	12	-
Depreciation	158	112	277	220
Finance costs	5	5	10	11
Interest income	(60)	(69)	(159)	(141)
Net realised (gain)/loss on foreign exchange	(3)	34	(16)	36
Rental expense	34	6	94	12

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretary
Kuala Lumpur
18 April 2023