



ECONFRAME BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 MAY 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 31 MAY 2023**

	← Unaudited →			
	Current Quarter ended 31 May		Cumulative Quarter ended 31 May	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue	19,593	15,093	54,891	43,072
Cost of sales	(13,249)	(9,579)	(37,369)	(27,871)
Gross profit	6,344	5,514	17,522	15,201
Other income	154	80	371	300
Administrative expenses	(1,649)	(1,300)	(4,947)	(3,713)
Distribution expenses	(217)	(272)	(690)	(705)
Operating profit	4,632	4,022	12,256	11,083
Finance costs	(4)	(5)	(14)	(16)
Profit before tax	4,628	4,017	12,242	11,067
Income tax expense	(1,122)	(994)	(3,240)	(2,790)
Profit for the financial period	3,506	3,023	9,002	8,277
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	-
Other comprehensive income for the financial period	-	-	1,564	-
Total comprehensive income for the financial period	3,506	3,023	10,566	8,277
Profit for the financial period attributable to:				
- Owners of the Company	3,507	3,030	9,001	8,276
- Non-controlling interests	(1)	(7)	1	1
	3,506	3,023	9,002	8,277
Total comprehensive income for the financial period attributable to:				
- Owners of the Company	3,507	3,030	10,565	8,276
- Non-controlling interests	(1)	(7)	1	1
	3,506	3,023	10,566	8,277
Earnings per share attributable to owners of the Company:				
- Basic (sen)	1.04	0.93	2.73	2.55
- Diluted (sen)	1.02	0.93	2.72	2.55

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.

ECONFRAME BERHAD
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023**

	Unaudited As at 31/05/2023 RM'000	Audited As at 31/08/2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,103	9,745
Investment property	300	300
	20,403	10,045
Current assets		
Inventories	11,512	14,695
Trade receivables	23,584	20,512
Other receivables, deposits and prepayments	4,567	2,505
Contract asset	-	25
Short-term deposits	20,847	16,253
Cash and bank balances	8,047	10,508
	68,557	64,498
Total assets	88,960	74,543
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Issued capital	49,361	43,330
Revaluation reserve	5,875	4,355
Reorganisation reserve	(25,825)	(25,825)
Retained earnings	50,724	41,679
	80,135	63,539
Non-controlling interests	(26)	(27)
Total equity	80,109	63,512
Non-current liabilities		
Loans and borrowings	121	246
Deferred taxation	1,713	1,293
	1,834	1,539
Current liabilities		
Loans and borrowings	223	272
Trade payables	3,212	6,048
Other payables and accruals	2,273	2,256
Tax payable	1,309	916
	7,017	9,492
Total liabilities	8,851	11,031
Total equity and liabilities	88,960	74,543
Net assets per share attributable to owners of the Company (sen)		
	23.61	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 31 MAY 2023**

	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
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	-	-	-	8,276	8,276	1	8,277
Realisation of revaluation reserve	-	(42)	-	42	-	-	-
Transaction with the owners: Interim single-tier dividend of 0.50 sen per ordinary share for the financial year ending 31 August 2022	-	-	-	(1,625)	(1,625)	-	(1,625)
Balance as at 31 May 2022	43,330	4,369	(25,825)	38,700	60,574	(24)	60,550

	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
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	-	-	-	9,001	9,001	1	9,002
Other comprehensive income	-	1,564	-	-	1,564	-	1,564
Total comprehensive income for the financial period	-	1,564	-	9,001	10,565	1	10,566
Realisation of revaluation reserve	-	(44)	-	44	-	-	-
Transaction with the owners: Issuance of ordinary shares pursuant to warrant exercised	6,031	-	-	-	6,031	-	6,031
Balance as at 31 May 2023	49,361	5,875	(25,825)	50,724	80,135	(26)	80,109

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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2023**

	Unaudited	
	Cumulative Quarter ended 31 May	
	2023	2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,242	11,067
Adjustments for:		
Depreciation of property, plant & equipment	459	331
Bad debts written off	134	46
Finance costs	14	16
Interest income	(299)	(208)
Net unrealised foreign exchange loss	16	-
Operating profit before changes in working capital	12,566	11,252
Changes in Working Capital:		
Inventories	3,183	(6,132)
Trade and other receivables	(3,448)	(5,938)
Trade and other payables	(2,848)	2,199
Contract asset	25	(25)
Contract liability	-	(131)
Net cash generated from operations	9,478	1,225
Income tax paid	(2,734)	(2,027)
Net cash flows generated from/(used in) operating activities	6,744	(802)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,906)	(246)
Change in pledged deposits	(90)	(90)
Interest income	299	208
Other investing activity ⁽²⁾	(1,820)	-
Net cash flows used in investing activities	(10,517)	(128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from warrant conversion	6,044	-
Dividend paid	-	(1,625)
Repayment of term loans	(130)	(194)
Repayment of lease liabilities	(98)	(60)
Net cash flows from/(used in) financing activities	5,816	(1,879)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,043	(2,809)
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	25,798	18,764

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 31 May 2023, the issued share capital of the Company increased from 325,000,000 to 339,359,650 pursuant to the issuance of 14,359,650 new ordinary shares arising from the exercise of warrants at the exercise price of RM0.42 for cash of RM6,031,053.

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 31 May 2023 are as follows:

	← Unaudited →			
	Current Quarter ended 31 May		Cumulative Quarter ended 31 May	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue				
Manufacturing	17,366	12,930	49,335	36,797
Inter-segment revenue	(491)	(150)	(1,322)	(536)
	16,875	12,780	48,013	36,261
Trading	2,718	2,313	6,878	6,811
	19,593	15,093	54,891	43,072
Segment profit				
Manufacturing	5,389	5,106	15,503	13,618
Trading	955	408	2,019	1,583
	6,344	5,514	17,522	15,201
Other income	154	80	371	300
Unallocated expenses	(1,866)	(1,572)	(5,637)	(4,418)
Finance costs	(4)	(5)	(14)	(16)
Income tax expense	(1,122)	(994)	(3,240)	(2,790)
Profit for the financial period	3,506	3,023	9,002	8,277

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	1,539
Not contracted	1,123
	<u>2,662</u>

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

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 31 May				Cumulative Quarter ended 31 May			
	2023	2022	Variance		2023	2022	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	19,593	15,093	4,500	30	54,891	43,072	11,819	27
Profit before tax	4,628	4,017	611	15	12,242	11,067	1,175	11
Profit after tax	3,506	3,023	483	16	9,002	8,277	725	9

Current quarter ended 31 May 2023 (“3Q 2023”) compared with preceding year corresponding quarter ended 31 May 2022 (“3Q 2022”)

The Group recorded revenue of RM19.59 million in 3Q 2023 as compared to RM15.09 million in 3Q 2022, an increase of RM4.50 million. The increase in revenue was mainly contributed by the manufacturing segment which was driven by the higher sales orders for metal door frames and fire resistant door sets in 3Q 2023.

The Group’s profit before tax in 3Q 2023 was RM4.63 million as compared to RM4.02 million in 3Q 2022, an increase of RM0.61 million. The higher profit before tax was in line with the higher revenue recorded.

Cumulative nine months ended 31 May 2023 (“YTD 3Q 2023”) compared with cumulative nine months ended 31 May 2022 (“YTD 3Q 2022”)

The Group recorded revenue of RM54.89 million for YTD 3Q 2023 as compared to RM43.07 million for YTD 3Q 2022, an increase of RM11.82 million. The higher revenue of RM11.75 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 RM12.24 million, an increase of RM1.18 million in YTD 3Q 2023. The increase in profit before tax was however offset by higher administrative expenses. The higher administrative expenses for YTD 3Q 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 31 May 2023 RM'000	Preceding Quarter ended 28 February 2023 RM'000	Variance	
			RM'000	%
Revenue	19,593	18,432	1,161	6
Profit before tax	4,628	4,457	171	4
Profit after tax	3,506	3,163	343	11

Current quarter ended 31 May 2023 ("3Q 2023") compared with immediate preceding quarter ended 28 February 2023 ("2Q 2023")

The Group recorded an increase in revenue of RM1.16 million to RM19.59 million in 3Q 2023 as compared to RM18.43 million in 2Q 2023. The increase in revenue was mainly contributed by the manufacturing segment which was driven by the higher sales orders for fire resistant door sets in 3Q 2023.

The Group's profit before tax in 3Q 2023 was RM4.63 million as compared to RM4.46 million in 2Q 2023, an increase of RM0.17 million. The higher profit before tax was in line with the higher revenue recorded.

B3 Prospects

The domestic property market is expected to remain cautiously optimistic in 2023 as the Government continues to formulate and execute favourable measures outlined in the revised Budget 2023 in support of the property market. In light of the recovering property market and construction industry, it is expected that the metal door frame and door industry will continue to be driven by the demand for properties in Malaysia.

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		Cumulative Quarter	
	ended 31 May		ended 31 May	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Current income tax charge	1,107	1,014	3,175	2,812
Overprovision in respects of prior years	(49)	(15)	(49)	(15)
Deferred tax				
Origination/(reversal) of temporary differences	66	(5)	116	(10)
(Over)/underprovision in respect of prior years	(2)	-	(2)	3
Total tax expense	1,122	994	3,240	2,790

The Group's effective tax rates for the current quarter and cumulative quarter ended 31 May 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 (“the Vendor”):

- 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”) (“LYASB Sale Shares”), representing 65% equity interest in LYASB for a purchase consideration of RM17,200,000 (“SSA 1”) 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 Econframe at an issue price of RM0.87 per share (“Acquisition 1”); 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 (“SSA 2”) (“Acquisition 2”).

On 12 May 2023, the Company entered into a supplemental share sale agreement with the Vendor to vary the number of ordinary shares of LYASB to be acquired pursuant to SSA 1 arising from the increase in the issued share capital of LYASB by the Vendor. The LYASB Sale Shares refers to 487,500 ordinary shares, representing 65% equity interest in LYASB.

On 14 July 2023, the Company and the Vendor mutually extended in writing the date to obtain and/or fulfil the conditions precedent in accordance with SSA 1 and SSA 2 for a further period up to 17 October 2023.

The Acquisition 1 and Acquisition 2 were approved by the shareholders of the Company at the Extraordinary General Meeting held on 14 July 2023.

b) Utilisation of proceeds – Public issue

As at 31 May 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	(1,339)	2,661	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>(15,539)</u>	<u>2,661</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 31/05/2023 RM'000	Audited As at 31/08/2022 RM'000
Secured:		
Current Liabilities		
Term loans	110	154
Lease liabilities	113	118
	223	272
Non-Current Liabilities		
Term loans	-	80
Lease liabilities	121	166
	121	246
Total Group's borrowings	344	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 31 May 2023.

B10 Earnings per share ("EPS")

The basic and diluted EPS for the current quarter and cumulative quarter ended 31 May 2023 are calculated as follows:

	← Unaudited →			
	Current Quarter ended 31 May 2023		Cumulative Quarter ended 31 May 2022	
Profit attributable to owners of the Company (RM'000)	3,507	3,030	9,001	8,276
Weighted average number of ordinary shares in issue ('000) <i>(for the computation of basic EPS)</i>	338,686	325,000	329,609	325,000
Adjustment for dilutive effect of warrants	5,404	-	1,821	-
Weighted average number of ordinary shares in issue ('000) <i>(for the computation of diluted EPS)</i>	344,090	325,000	331,430	325,000
Basic EPS (sen)	1.04	0.93	2.73	2.55
Diluted EPS (sen)	1.02	0.93	2.72	2.55

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

	←————— Unaudited —————→			
	Current Quarter ended 31 May		Cumulative Quarter ended 31 May	
	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	36	32	105	96
- prior period	-	-	12	-
Depreciation	182	111	459	331
Finance costs	4	5	14	16
Interest income	(140)	(67)	(299)	(208)
Net realised loss on foreign exchange	49	52	33	88
Rental expense	6	6	100	18

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)

Company Secretary

Kuala Lumpur

28 July 2023