



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 MAY 2021**

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 TO DATE ENDED 31 MAY 2021**

	← Unaudited →			
	Individual Quarter ended 31 May		Cumulative Quarter ended 31 May	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Revenue	12,571	4,778	36,002	29,977
Cost of sales	(8,761)	(3,588)	(24,098)	(20,349)
Gross profit	3,810	1,190	11,904	9,628
Other income	79	127	217	162
Administrative expenses ⁽²⁾	(1,399)	(866)	(4,331)	(3,276)
Distribution expenses	(230)	(268)	(795)	(951)
Operating profit	2,260	183	6,995	5,563
Finance costs	(7)	(10)	(24)	(51)
Profit before tax	2,253	173	6,971	5,512
Income tax expense	(527)	(42)	(1,923)	(1,301)
Profit for the financial period	1,726	131	5,048	4,211
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period	1,726	131	5,048	4,211
Profit/(loss) for the financial period attributable to:				
- Owners of the Company	1,738	131	5,060	4,211
- Non-controlling interests	(12)	-	(12)	-
	1,726	131	5,048	4,211
Total comprehensive income/(loss) for the financial period attributable to:				
- Owners of the Company	1,738	131	5,060	4,211
- Non-controlling interests	(12)	-	(12)	-
	1,726	131	5,048	4,211
Earnings per share ⁽³⁾ attributable to owners of the Company:				
- Basic (sen)	0.53	11.91	1.62	382.82
- Diluted (sen)	0.53	11.91	1.62	382.82

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 2020 ("AFS 2020") and the accompanying explanatory notes attached to this interim financial report.
- 2) Includes listing expenses of RM0.30 million and RM0.88 million expensed out in the individual quarter and cumulative quarter ended 31 May 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 MAY 2021**

	Unaudited As at 31/05/2021 RM'000	Audited As at 31/08/2020 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	9,556	9,633
Investment properties	300	300
	9,856	9,933
Current Assets		
Inventories	7,702	3,638
Trade receivables	14,698	12,927
Other receivables, deposits and prepayments	3,212	1,024
Short-term deposits	3,022	2,930
Cash and bank balances	22,227	5,780
	50,861	26,299
Total assets	60,717	36,232
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Issued capital	43,330	26,000
Revaluation reserve	4,218	4,218
Reorganisation reserve	(25,825)	(25,825)
Retained earnings	32,017	26,957
	53,740	31,350
Non-controlling interests	(8)	-
Total equity	53,732	31,350
Non-current Liabilities		
Loans and borrowings	379	511
Deferred taxation	1,462	1,430
	1,841	1,941
Current Liabilities		
Trade payables	3,094	1,456
Other payables and accruals	1,099	1,045
Loans and borrowings	310	283
Tax payable	641	157
	5,144	2,941
Total liabilities	6,985	4,882
Total equity and liabilities	60,717	36,232
Net assets per share attributable to owners of the Company (sen)	16.54 ⁽²⁾	12.05 ⁽³⁾

Notes:

- 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 2020 and the accompanying explanatory notes attached to this interim financial report.
- 2) Net assets per share is calculated based on the enlarged number of ordinary shares of 325,000,000 shares following the completion of the initial public offering ("IPO").
- 3) Net assets per share is calculated based on the ordinary shares in issuance of 260,000,000 shares before the public issue of 65,000,000 new ordinary shares under the IPO exercise.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2021**

	Share capital RM'000	Non- Distributable reserve Revaluation reserve RM'000	Distributable reserve Retained earnings RM'000	Total RM'000
Balance as at 1 September 2019	1,100	4,228	20,681	26,009
Profit for the financial period	-	-	4,211	4,211
Realisation of revaluation reserve	-	(8)	8	-
Total comprehensive (loss)/income for the financial period	-	(8)	4,219	4,211
Balance as at 31 May 2020	1,100	4,220	24,900	30,220

	Share capital RM'000	Non-Distributable reserve Revaluation reserve RM'000	Reorganisation reserve RM'000	Distributable reserve Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
Balance as at 1 September 2020	26,000	4,218	(25,825)	26,957	31,350	-	31,350
Total comprehensive income/(loss) for the financial period	-	-	-	5,060	5,060	(12)	5,048
Transactions with the owners:							
New shares issued for the IPO ⁽²⁾	18,200	-	-	-	18,200	-	18,200
New shares issuance expense for the IPO ⁽³⁾	(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 May 2021	43,330	4,218	(25,825)	32,017	53,740	(8)	53,732

Notes:

- 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 2020 and the accompanying explanatory notes attached to this interim financial report.
- 2) Issuance of new shares pursuant to the IPO (as further explained in Note A6 below).
- 3) Listing expenses incurred pursuant to the IPO that has been set-off against share capital (as further explained in Note A6 below).

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2021**

	Unaudited	
	Cumulative Quarter ended 31 May	2020¹
	2021	RM'000
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	6,971	5,512
Adjustments for:		
Depreciation of property, plant & equipment	321	396
Interest expense	24	51
Interest income	(159)	(49)
Reversal of impairment loss	-	(31)
Operating profit before changes in working capital	7,157	5,879
Changes in Working Capital:		
Inventories	(4,064)	(838)
Trade and other receivables	(3,884)	1,910
Trade and other payables	1,692	(1,539)
Net cash generated from operations	901	5,412
Income tax paid	(1,407)	(2,452)
Net cash (used in)/from operating activities	(506)	2,960
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(147)	(358)
Change in pledged deposits	(92)	(1,172)
Interest income	159	49
Net cash used in investing activities	(80)	(1,481)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	17,255	*
Proceeds from non-controlling interests arising from incorporation of a subsidiary	4	-
Interest paid	-	(17)
Repayment of term loans	(184)	(161)
Repayment of lease liabilities	(42)	(124)
Repayment of bankers' acceptance	-	(1,265)
Net cash from/(used in) financing activities	17,033	(1,567)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	16,447	(88)
CASH AND CASH EQUIVALENT AT BEGINNING OF FINANCIAL PERIOD	5,780	3,177
CASH AND CASH EQUIVALENT AT END OF FINANCIAL PERIOD	22,227	3,089

* RM100

Notes:

- 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 2020 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 2020 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 2020 except for the adoption of standard and amendments to standards that are mandatory for the Group for the financial year beginning 1 September 2020:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 3	Reference to the Conceptual Framework	1 January 2022
MFRS 101	Classification of liabilities as current or non-current	1 January 2022
MFRS 116	Proceeds before Intended Use	1 January 2022
MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs 2018 – 2022		1 January 2022

The adoption of these standard and 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 2020 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.

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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.

A6 Debt and equity securities

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial period under review.

The Company was listed on the ACE Market of Bursa Securities on 27 October 2020 at an issue price of RM0.28 per share (“IPO Price”) which comprised the following:

- (i) Public issue of 65,000,000 new ordinary shares (“Public Issue”) in the Company allocated in the following manner:
- 16,250,000 new shares available for application by the Malaysian public;
 - 3,250,000 new shares available for application by the eligible directors and employees of the Group;
 - 13,000,000 new shares by way of private placement to selected investors; and
 - 32,500,000 new shares by way of private placement to identified bumiputera investors approved by the Ministry of International Trade and Industry Malaysia; and
- (ii) Offer for sale of 32,500,000 existing shares by way of private placement to selected investors.

A7 Dividends paid

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

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A8 Segment information

The unaudited segment information for the individual quarter and cumulative quarter ended 31 May 2021 are as follows:

	← Unaudited →			
	Individual Quarter ended 31 May		Cumulative Quarter ended 31 May	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	10,374	4,049	29,539	24,366
Inter-segment revenue	(136)	-	(405)	(2)
	10,238	4,049	29,134	24,364
Trading	2,333	735	6,868	5,631
Inter-segment revenue	-	(6)	-	(18)
	2,333	729	6,868	5,613
	12,571	4,778	36,002	29,977
Segment profit				
Manufacturing	3,240	933	10,092	7,531
Trading	570	257	1,812	2,097
	3,810	1,190	11,904	9,628
Other income	79	127	217	162
Unallocated expenses	(1,629)	(1,134)	(5,126)	(4,227)
Finance costs	(7)	(10)	(24)	(51)
Income tax expense	(527)	(42)	(1,923)	(1,301)
Profit for the financial period	1,726	131	5,048	4,211

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.

A10 Material events subsequent to the end of the quarter

Save as disclosed in Note B3, there was no material event subsequent to the end of the financial period under review.

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A11 Changes in the composition of the group

On 28 December 2020, the Company incorporated a wholly-owned subsidiary, namely Eframe Technology Sdn Bhd (“**ETSB**”), with a total issued share capital of RM100 comprising of 100 ordinary shares. The principal activity of ETSB is trading in electronic and electrical systems and accessories.

On 17 March 2021, the Company incorporated a 60%-owned subsidiary, namely Eframe Solartech Sdn Bhd (“**Solartech**”). Simultaneous with the incorporation of Solartech, the Company had entered into a shareholders’ agreement with Mr. Chew Cheng Kiat, the holder of the remaining 40% equity interest in Solartech. Solartech has an issued capital of RM10,000 comprising of 10,000 ordinary shares. The principal activity of Solartech is trading and provision of installation services of solar energy products and system.

Other than the above, 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	1,621
Not contracted	10,979
	<u>12,600</u>

The approved capital commitments are related to land acquisition and construction of a new manufacturing facility of RM8.6 million and machinery for automation of manufacturing process of RM4.0 million 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

	Individual Quarter ended 31 May				Cumulative Quarter ended 31 May			
	2021	2020	Variance		2021	2020	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	12,571	4,778	7,793	>100	36,002	29,977	6,025	20
Profit before tax	2,253	173	2,080	>100	6,971	5,512	1,459	26
Profit after tax	1,726	131	1,595	>100	5,048	4,211	837	20

Individual quarter ended 31 May 2021 (“3Q 2021”) compared with individual quarter ended 31 May 2020 (“3Q 2020”)

The Group recorded revenue of RM12.57 million in 3Q 2021 as compared to RM4.78 million in 3Q 2020, an increase of RM7.79 million. The lower revenue in 3Q 2020 was mainly due to delays in revenue recognition as scheduled deliveries of unfulfilled purchase orders were affected by the Government’s imposition of the first movement control order (“MCO 1.0”) which took effect from 18 March 2020 to 3 May 2020.

The Group’s profit before tax in 3Q 2021 was RM2.25 million as compared to RM0.17 million in 3Q 2020, an increase of RM2.08 million. The higher profit before tax in 3Q 2021 was in line with the higher revenue recorded.

Cumulative nine months ended 31 May 2021 (“YTD May 2021”) compared with cumulative nine months ended 31 May 2020 (“YTD May 2020”)

The Group’s revenue in YTD May 2021 was RM36.00 million, an increase of 20% as compared with RM29.98 million in YTD May 2020. The increase was mainly attributed to higher revenue from the manufacturing segment of RM4.77 million, driven by higher sales orders of metal door frames and fire resistant door sets.

The Group’s profit before tax was RM6.97 million in YTD May 2021 as compared with RM5.51 million in YTD May 2020, an increase of 26%. The higher profit before tax was in line with the higher revenue recorded.

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B2 Comparison with immediate preceding quarter's results

	Individual Quarter ended 31 May 2021 RM'000	Preceding Quarter ended 28 February 2021 RM'000	Variance	
			RM'000	%
Revenue	12,571	11,861	710	6
Profit before tax	2,253	2,383	(130)	-5
Profit after tax	1,726	1,686	40	2

Individual quarter ended 31 May 2021 ("3Q 2021") compared with immediate preceding individual quarter ended 28 February 2021 ("2Q 2021")

The Group recorded an increase in revenue of RM0.71 million or 6% to RM12.57 million in 3Q 2021 as compared to RM11.86 million in 2Q 2021. The increase in revenue was mainly contributed by the manufacturing segment which was driven by the higher sales orders for metal door frames in 3Q 2021.

The Group recorded a decrease in profit before tax of RM0.13 million in 3Q 2021 which was mainly due to an increase in cost of sales as a result of the increase in steel coil cost. The decrease in profit before tax was however mitigated by lower operating expenses.

B3 Prospects

The current financial year is expected to be challenging for the Group in view of the various Movement Control Orders ("MCO") imposed to curb the Covid-19 infections. The imposition of the full MCO nationwide from 1 June 2021, has resulted in the suspension of the operations of some of the Group's customers. The subsequent imposition of the Enhanced MCO from 3 July 2021 to 16 July 2021 in most of Selangor and various areas in Kuala Lumpur, has resulted in the suspension of all non-essential economic activities, including the Group's operations and its customers located in the affected areas. The effects of these 'lockdowns' will result in delays in scheduled deliveries of the Group's products and thus, revenue recognition.

The Group will continue to take all proactive measures to ensure the existing business remains sustainable, resilient and focused on delivering and completing all unfulfilled orders on hand within the agreed timeline with its customers.

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 →			
	Individual Quarter ended 31 May		Cumulative Quarter ended 31 May	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current taxation				
Income tax charge	622	42	2,008	1,423
Deferred tax charge	22	-	32	13
Real property gain tax	-	-	-	(73)
Prior period taxation				
Income tax (over)/under provided	(117)	-	(117)	13
Deferred tax under provided	-	-	-	(75)
Total tax expense	527	42	1,923	1,301
Effective tax rate	23.4%	24.3%	27.6%	23.6%

The Group's effective tax rate for the individual quarter was lower than the statutory income tax rate mainly due to overprovision of taxation in respect of prior period, partially offset by non-tax deductible expenses

The Group's effective tax rate for the cumulative quarter was higher than the statutory income tax rate mainly due to higher non-tax deductible expenses.

B6 Status of corporate proposals and utilisation of proceeds

As at 31 May 2021, 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	5,000	-	5,000	Within 24 months
Automation of manufacturing process	4,000	(294)	3,706	Within 24 months
Working capital	6,200	(4,048)	2,152	Within 18 months ⁽¹⁾
Estimated listing expenses	3,000	(3,000)	-	Within 1 month
	18,200	(7,342)	10,858	

Note:

- 1) On 13 April 2021, the Company announced the extension of timeframe for the utilisation of proceeds allocated for working capital from within 6 months to within 18 months.

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B7 Loans and borrowings

The Group's borrowings were as follows:

	Unaudited As at 31/05/2021 RM'000	Audited As at 31/08/2020 RM'000
Secured:		
Current Liabilities		
Term loan	243	237
Lease liabilities	67	46
	310	283
Non-Current Liabilities		
Term loan	279	450
Lease liabilities	100	61
	379	511
Total Bank Borrowings	689	794

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 quarter ended 31 May 2021.

B10 Earnings per share

The basic and diluted earnings per share for the current and cumulative quarter are calculated as follows:

	Unaudited			
	Individual Quarter		Cumulative Quarter	
	ended 31 May	ended 31 May	ended 31 May	ended 31 May
	2021	2020	2021	2020
Profit attributable to owners of the Company (RM'000)	1,738	131	5,060	4,211
Weighted average number of ordinary shares in issue ('000)	325,000	1,100 ⁽¹⁾	311,429	1,100 ⁽¹⁾
Basic earnings per share (sen)	0.53	11.91	1.62	382.82
Diluted earnings per share (sen) ⁽²⁾	0.53	11.91	1.62	382.82

Notes:

- (1) Based on ordinary shares in issuance of 1,100,100 before the acquisition of Econframe Marketing Sdn Bhd and Econframe Pre-Hung Doors Sdn Bhd and public issue under the IPO exercise.
- (2) Diluted earnings per share for the individual quarter and cumulative quarter are equivalent to the basic earnings per share for the individual quarter and cumulative quarter as the Company does not have any convertible securities as at the end of the reporting period.

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

	←————— Unaudited —————→			
	Individual Quarter		Cumulative Quarter	
	ended 31 May		ended 31 May	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditor's remuneration				
- current period	32	11	97	34
Depreciation	112	149	321	396
Interest expense	7	13	24	51
Interest income	(69)	(46)	(159)	(49)
Realised loss on foreign exchange	36	8	108	91
Rental expense	6	1	16	37

By Order of the Board

CHENG CHIA PING (MAICSA 1032514)
Company Secretary
Kuala Lumpur
26 JULY 2021