



ECONFRAME BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 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 PERIOD ENDED 30 NOVEMBER 2022**

	← Unaudited →			
	Current Quarter ended 30 November		Cumulative Quarter ended 30 November	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue	16,866	13,301	16,866	13,301
Cost of sales	(12,173)	(8,600)	(12,173)	(8,600)
Gross profit	4,693	4,701	4,693	4,701
Other income	131	115	131	115
Administrative expenses	(1,384)	(1,067)	(1,384)	(1,067)
Distribution expenses	(278)	(207)	(278)	(207)
Operating profit	3,162	3,542	3,162	3,542
Finance costs	(5)	(6)	(5)	(6)
Profit before tax	3,157	3,536	3,157	3,536
Income tax expense	(824)	(899)	(824)	(899)
Profit for the financial period	2,333	2,637	2,333	2,637
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period	<u>2,333</u>	<u>2,637</u>	<u>2,333</u>	<u>2,637</u>
Profit/(loss) for the financial period attributable to:				
- Owners of the Company	2,334	2,662	2,334	2,662
- Non-controlling interests	(1)	(25)	(1)	(25)
	<u>2,333</u>	<u>2,637</u>	<u>2,333</u>	<u>2,637</u>
Total comprehensive income/(loss) for the financial period attributable to:				
- Owners of the Company	2,334	2,662	2,334	2,662
- Non-controlling interests	(1)	(25)	(1)	(25)
	<u>2,333</u>	<u>2,637</u>	<u>2,333</u>	<u>2,637</u>
Earnings per share ⁽²⁾ attributable to owners of the Company:				
- Basic (sen)	0.72	0.82	0.72	0.82
- Diluted (sen)	0.72	0.82	0.72	0.82

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 2022 (“AFS 2022”) and the accompanying explanatory notes attached to this interim financial report.
- 2) 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 30 NOVEMBER 2022**

	Unaudited As at 30/11/2022 RM'000	Audited As at 31/08/2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,771	9,745
Investment property	300	300
	10,071	10,045
Current assets		
Inventories	15,720	14,695
Trade receivables	20,083	20,512
Other receivables, deposits and prepayments	3,561	2,505
Contract asset	25	25
Short-term deposits	16,284	16,253
Cash and bank balances	10,325	10,508
	65,998	64,498
Total assets	76,069	74,543
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Issued capital	43,330	43,330
Revaluation reserve	4,341	4,355
Reorganisation reserve	(25,825)	(25,825)
Retained earnings	44,027	41,679
	65,873	63,539
Non-controlling interests	(28)	(27)
Total equity	65,845	63,512
Non-current liabilities		
Loans and borrowings	188	246
Deferred taxation	1,294	1,293
	1,482	1,539
Current liabilities		
Loans and borrowings	257	272
Trade payables	5,689	6,048
Other payables and accruals	1,835	2,256
Tax payable	961	916
	8,742	9,492
Total liabilities	10,224	11,031
Total equity and liabilities	76,069	74,543
Net assets per share attributable to owners of the Company (sen)		
	20.27	19.55

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 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 30 NOVEMBER 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
Unaudited							
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 period	-	-	-	2,662	2,662	(25)	2,637
Realisation of revaluation reserve	-	(14)	-	14	-	-	-
Balance as at 30 November 2021	43,330	4,397	(25,825)	34,683	56,585	(50)	56,535

	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
Total comprehensive income/(loss) for the financial period	-	-	-	2,334	2,350	(1)	2,333
Realisation of revaluation reserve	-	(14)	-	14	-	-	-
Balance as at 30 November 2022	43,330	4,341	(25,825)	44,027	65,873	(28)	65,845

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 30 NOVEMBER 2022**

	Unaudited	
	Cumulative Quarter ended	
	30 November 2022	
	2022	2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,157	3,536
Adjustments for:		
Depreciation of property, plant & equipment	119	108
Bad debts written off	-	15
Finance costs	5	6
Interest income	(99)	(72)
Net unrealised foreign exchange gain	16	-
Operating profit before changes in working capital	3,198	3,593
Changes in Working Capital:		
Inventories	(1,025)	(413)
Trade and other receivables	186	(3,851)
Trade and other payables	(796)	1,188
Contract liability	-	192
Net cash generated from operations	1,563	709
Income tax paid	(779)	(556)
Net cash flows generated from operating activities	784	153
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(958)	(78)
Change in pledged deposits	(30)	(30)
Interest income	99	72
Net cash flows used in investing activities	(889)	(36)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(45)	(69)
Repayment of lease liabilities	(32)	(19)
Net cash flows used in financing activities	(77)	(88)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(182)	29
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	23,573	21,602

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 2022 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 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.

A6 Debt and equity securities

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

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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 30 November 2022 are as follows:

	← Unaudited →			
	Current Quarter ended 30 November		Cumulative Quarter ended 30 November	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue				
Manufacturing	15,214	11,492	15,214	11,492
Inter-segment revenue	(305)	(211)	(305)	(211)
	14,909	11,281	14,909	11,281
Trading	1,957	2,020	1,957	2,020
	16,866	13,301	16,866	13,301
Segment profit				
Manufacturing	4,182	4,232	4,182	4,232
Trading	511	469	511	469
	4,693	4,701	4,693	4,701
Other income	131	115	131	115
Unallocated expenses	(1,662)	(1,274)	(1,662)	(1,274)
Finance costs	(5)	(6)	(5)	(6)
Income tax expense	(824)	(899)	(824)	(899)
Profit for the financial period	2,333	2,637	2,333	2,637

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 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.

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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	8,172
Not contracted	2,379
	<u>10,551</u>

The approved capital commitments are in relation to the proposed acquisition of a new manufacturing facility of RM8.13 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

	Current Quarter ended 30 November				Cumulative Quarter ended 30 November			
	2022	2021	Variance		2022	2021	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	16,866	13,301	3,565	27	16,866	13,301	3,565	27
Profit before tax	3,157	3,536	(379)	(11)	3,157	3,536	(379)	(11)
Profit after tax	2,333	2,637	(304)	(12)	2,333	2,637	(304)	(12)

Current and cumulative quarter ended 30 November 2022 (“1Q 2023”) compared with preceding year corresponding quarter ended 30 November 2021 (“1Q 2022”)

The Group recorded revenue of RM16.87 million in 1Q 2023 as compared to RM13.3 million in 1Q 2022, an increase of RM3.57 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 1Q 2023.

Despite higher revenue recorded, the Group recorded a decrease in profit before tax of RM0.36 million in 1Q 2023 mainly due to an increase in cost of sales as a result of the increase in raw material cost and higher operational costs.

B2 Comparison with immediate preceding quarter’s results

	Current	Preceding	Variance	
	Quarter ended 30 November 2022	Quarter ended 31 August 2022	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	16,866	16,323	543	3
Profit before tax	3,157	3,950	(793)	(20)
Profit after tax	2,333	2,962	(629)	(21)

Current quarter ended 30 November 2022 (“1Q 2023”) compared with immediate preceding quarter ended 31 August 2022 (“4Q 2022”)

The Group recorded an increase in revenue of RM0.54 million to RM16.87 million in 1Q 2023 as compared to RM16.32 million in 4Q 2022. The increase in revenue was mainly contributed by the manufacturing segment which was driven by the higher sales orders for metal door frames in 1Q 2023.

Despite higher revenue recorded, the Group recorded a decrease in profit before tax of RM0.79 million in 1Q 2023 mainly due to an increase in cost of sales as a result of the increase in raw material cost and higher operational costs.

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B3 Prospects

According to the Budget 2023 tabled in October 2022, the Malaysian economy is estimated to grow by 6.5% to 7% in 2022 and 4% to 5% in 2023. While the economy is supported by the recovery of the service sector in 2022, the 2023 outlook seems less certain primarily due to the prolonged Russian-Ukrainian conflict and China's economic slowdown.

While the economic growth is likely to slow 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. The Group will also continue to focus on delivering its unfulfilled orders in hand to ensure it contributes positively to the Group's earnings.

B4 Profit forecast / Profit guarantee

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

B5 Taxation

	← Unaudited →			
	Current Quarter		Cumulative Quarter	
	ended 30 November		ended 30 November	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Current income tax charge	824	900	824	900
Deferred tax				
Reversal of temporary differences	-	(4)	-	(4)
Underprovision in respect of prior years	-	3	-	3
Total tax expense	824	899	824	899

The Group's effective tax rates for the current quarter and cumulative quarter ended 30 November 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").

Bursa Securities approved the issuance of the Warrants vide its letter dated 9 November 2022 and approval from the shareholders for the Proposed Bonus Issue of Warrants was obtained on 30 November 2022. The Proposed 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.

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

a) Status of corporate proposals (cont'd)

- 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 (“SPA”) 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.

On 3 November 2022, the SPA was deemed unconditional. The SPA is completed on 17 January 2023.

- 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 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 (“Consideration Shares”) at an issue price of RM0.87 per Consideration 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.

b) Utilisation of proceeds – Public issue

As at 30 November 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	(813)	4,187	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>(10,788)</u>	<u>7,412</u>	

Notes:

- 1) 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 said acquisition is completed on 17 January 2023.
- 2) 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.

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B7 Loans and borrowings

The Group's borrowings were as follows:

	Unaudited As at 30/11/2022 RM'000	Audited As at 31/08/2022 RM'000
Secured:		
Current Liabilities		
Term loans	142	154
Lease liabilities	115	118
	257	272
Non-Current Liabilities		
Term loans	49	80
Lease liabilities	139	166
	188	246
Total Group's borrowings	445	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 30 November 2022.

B10 Earnings per share

The basic and diluted earnings per share for the current quarter and cumulative quarter ended 30 November 2022 are calculated as follows:

	← Unaudited →			
	Current Quarter ended 30 November 2022		Cumulative Quarter ended 30 November 2022	
	2022	2021	2022	2021
Profit attributable to owners of the Company (RM'000)	2,334	2,662	2,334	2,662
Weighted average number of ordinary shares in issue ('000)	325,000	325,000	325,000	325,000
Basic earnings per share (sen)	0.72	0.82	0.72	0.82
Diluted earnings per share (sen) ⁽¹⁾	0.72	0.82	0.72	0.82

Note:

(1) Diluted earnings per share for the current quarter and cumulative quarter ended 30 November 2022 are equivalent to the basic earnings per share for the current quarter and cumulative quarter ended 30 November 2022 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 —————→			
	Current Quarter ended 30 November		Cumulative Quarter ended 30 November	
	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 period	35	32	35	32
- prior period	12	-	12	-
Depreciation	119	108	119	108
Finance costs	5	6	5	6
Interest income	(99)	(72)	(99)	(72)
Net realised (gain)/loss on foreign exchange	(13)	2	(13)	2
Rental expense	60	6	60	6

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretary
Kuala Lumpur
17 January 2023