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EFFICIENT E-SOLUTIONS BERHAD

Company No. 200301030059 (632479-H)
(Incorporated in Malaysia under the Companies Act, 1965)

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE SECOND QUARTER ENDED

30 JUNE 2020

EFFICIENT E-SOLUTIONS BERHAD Company No. 200301030059 (632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2020

	Individual Quarter		Cumulative Quarter	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM	RM	RM	RM
Revenue	1,231,487	825,279	2,382,887	1,660,046
Cost of sales	(370,340)	(461,520)	(880,470)	(1,073,344)
Gross profit	861,147	363,759	1,502,417	586,702
Other operating income	1,633,839	471,969	2,143,010	944,703
Administrative and operating expenses	(2,892,986)	(3,170,740)	(5,567,440)	(6,134,665)
Loss from operations	(398,000)	(2,335,012)	(1,922,013)	(4,603,260)
Finance costs	(669)	(369)	(1,414)	(369)
Interest income	316,585	384,067	698,614	842,009
Share of result of associates	94,891	220,399	295,815	300,019
Profit / (Loss) before tax	12,807	(1,730,915)	(928,998)	(3,461,601)
Income tax expense	(4,799)	2,878	(13,641)	(1,027)
Net profit / (loss) for the period	8,008	(1,728,037)	(942,639)	(3,462,628)
Other comprehensive income	-	-	-	-
Total comprehensive profit / (loss) for the period	8,008	(1,728,037)	(942,639)	(3,462,628)
Profit / (Loss) for the period attributable to :				
Equity holders of the parent	32,184	(1,698,535)	(907,652)	(3,412,108)
Non-controlling interests	(24,176)	(29,502)	(34,987)	(50,520)
	8,008	(1,728,037)	(942,639)	(3,462,628)
Total comprehensive profit / (loss) for the period attributable to :				
Equity holders of the parent	32,184	(1,698,535)	(907,652)	(3,412,108)
Non-controlling interests	(24,176)	(29,502)	(34,987)	(50,520)
	8,008	(1,728,037)	(942,639)	(3,462,628)
Loss per share attributable to equity holders of the parent :				
Basic (sen)	0.005	(0.24)	(0.13)	(0.48)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	(Unaudited) As at 30.06.2020	(Audited) As at 31.12.2019
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	27,365,439	27,941,833
Investment properties	40,027,843	40,361,433
Investment in associated companies	6,134,863	5,839,048
Other investments	150,000	150,000
Right of use asset	63,278	78,707
	73,741,423	74,371,021
Current assets		
Trade receivables	828,240	1,238,657
Other receivables	1,119,267	894,290
Tax recoverable	65,390	61,652
Investment securities	6,966,935	8,090,037
Deposits with licensed banks	41,891,339	44,254,842
Cash and bank balances	5,465,797	3,076,269
	56,336,968	57,615,747
Total assets	130,078,391	131,986,768
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	75,546,598	75,546,598
Retained earnings	52,949,951	53,857,603
	128,496,549	129,404,201
Non-controlling interest	169,593	204,580
Total equity	128,666,142	129,608,781
Non-current liabilities		
Deferred tax liabilities	41,648	42,849
Lease liabilities	27,428	49,215
	69,076	92,064
Current liabilities		
Trade payables	78,471	233,122
Other payables	826,906	1,328,923
Contract liabilities	395,046	683,451
Lease liabilities	37,178	30,477
Tax Payable	5,572	9,950
	1,343,173	2,285,923
Total liabilities	1,412,249	2,377,987
Total equity and liabilities	130,078,391	131,986,768

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019.)

EFFICIENT E-SOLUTIONS BERHAD Company No. 200301030059 (632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2020

	Share Capital	Non Distributable Share Premium	Share Option Reserve	Available- for-sales Reserve	Distributable Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM	RM	RM	RM	RM	RM	RM	RM
<u>FINANCIAL YEAR ENDED 31 DECEMBER 2019</u>								
As at 1 January 2019	75,546,598	-	-	-	62,122,287	137,668,885	268,198	137,937,083
MFRS 16 Adoption	-	-	-	-	(442)	(442)	-	(442)
Loss for the year	-	-	-	-	(8,264,242)	(8,264,242)	(63,618)	(8,327,860)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(8,264,242)	(8,264,242)	(63,618)	(8,327,860)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
As at 31 December 2019	75,546,598	-	-	-	53,857,603	129,404,201	204,580	129,608,781
<u>FINANCIAL PERIOD ENDED 30 JUNE 2020</u>								
As at 1 January 2020	75,546,598	-	-	-	53,857,603	129,404,201	204,580	129,608,781
Loss for the period	-	-	-	-	(907,652)	(907,652)	(34,987)	(942,639)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(907,652)	(907,652)	(34,987)	(942,639)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
As at 30 June 2020	75,546,598	-	-	-	52,949,951	128,496,549	169,593	128,666,142

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019.)

EFFICIENT E-SOLUTIONS BERHAD Company No. 200301030059 (632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 JUNE 2020

	30.06.2020	31.12.2019
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation:	(928,998)	(8,316,740)
Adjustments for:		
Depreciation of investment properties	333,590	681,294
Depreciation of property, plant and equipment	489,415	1,789,446
Depreciation of right of use asset	15,428	19,609
Amortisation of intangible asset	-	141,870
Impairment of property, plant and equipment	-	641,998
Impairment of goodwill on consolidation	-	319,598
Impairment on trade receivables	-	3,683
Impairment on intangible asset	-	141,870
Fair value (gain)/loss on FVTPL financial assets	105,011	242,700
Gain on disposal of investment securities	(1,175,541)	-
Loss on disposal of property, plant and equipment	102,916	111,681
Dividend income	(340,531)	(52,288)
Interest income	(698,614)	(1,621,707)
Interest expenses	1,414	1,784
Investment income from investment securities	(111,335)	(137,770)
Share of results of associated companies	(295,815)	(569,502)
Reversal of impairment loss on trade receivables	-	(5,506)
Operating loss before changes in working capital	<u>(2,503,060)</u>	<u>(6,607,980)</u>
Decrease/(Increase) in trade and other receivables	185,439	(451,521)
Increase/(Decrease) in trade and other payables	<u>(945,072)</u>	<u>792,212</u>
Cash generated used in operations	<u>(3,262,693)</u>	<u>(6,267,289)</u>
Tax refund/(paid), net of tax paid/refunded	<u>(22,957)</u>	<u>3,066</u>
Net cash used in operating activities	<u>(3,285,650)</u>	<u>(6,264,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	10,531	52,288
Interest from deposits with licensed banks	698,614	1,621,707
Increase in investment securities	(106,368)	(136,497)
Investment income	111,335	137,770
Proceeds from disposal of investment securities	2,300,000	-
Proceeds from disposal of property, plant & equipment	1	23,001
Purchase of property, plant and equipment	(15,938)	(695,395)
Purchase of investment properties	-	(6,238)
Dividend Income from associated company	330,000	870,000
Net cash generated from/(used in) investing activities	<u>3,328,175</u>	<u>1,866,636</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(15,086)	(19,066)
Interest paid	<u>(1,414)</u>	<u>(1,784)</u>
Net cash used in financing activities	<u>(16,500)</u>	<u>(20,850)</u>
Net change in cash and cash equivalents	26,025	(4,418,437)
Cash and cash equivalents at beginning of the financial year	47,331,111	51,749,548
Cash and cash equivalents at end of the financial period*	<u><u>47,357,136</u></u>	<u><u>47,331,111</u></u>
*Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	5,465,797	3,076,269
Deposits with licensed banks	<u>41,891,339</u>	<u>44,254,842</u>
	<u><u>47,357,136</u></u>	<u><u>47,331,111</u></u>
(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019.)		

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 : INTERIM FINANCIAL REPORTING

A1 Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, and *MFRS134 : Interim Financial Reporting* in Malaysia and *IAS34, Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019. The audited financial statements of the Group were prepared in accordance with the provisions of the Companies Act 2016, Malaysia Financial Reporting Standards ("MFRS"), and International Financial Reporting Standards ("IFRS").

The accounting policies used in the preparation of these interim financial statements are consistent with those adopted in the annual audited financial statements except for the adoption of the new and revised MFRS. Effective 1 January 2019, the Company adopted MFRS 16, Leases. The adoption of MFRS 16, Leases have not resulted in any material impact on the financial statements of the Group.

A2 Auditors' Report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2019 was not subject to any qualification.

A3 Seasonality or cyclicity of interim operations

The Group's operations are not materially affected by seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

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

A5 Material changes in estimates

There were no changes in estimates that have had a material effect in the current financial period's results.

A6 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

A7 Dividend paid

There were no dividend paid during the financial period.

A8 Segment information

Segment information is presented in respect of the Group's business segment for the financial period ended 30 June 2020.

Analysis by activities	Records Management	IT Services	Others	Elimination	Total
	RM	RM	RM	RM	RM
Operating Revenue					
External sales	696,150	1,190,567	496,170	-	2,382,887
Total operating revenue	696,150	1,190,567	496,170	-	2,382,887
Result					
Loss from operations	(475,784)	(1,295,789)	(153,252)	(3,482)	(1,928,307)
Unrealised Depreciation	-	-	-	6,294	6,294
Finance costs	-	-	(1,414)	-	(1,414)
Interest income	9,249	30,415	658,950	-	698,614
Share of result of associates	-	-	295,815	-	295,815
Loss before taxation	(466,535)	(1,265,374)	800,099	2,812	(928,998)
Income tax expense					(13,641)
Loss for the period					(942,639)
NCI					34,987
Total comprehensive loss for the period					(907,652)

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 : INTERIM FINANCIAL REPORTING

A9 Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter under review.

A10 Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A11 Changes in contingent liabilities and contingent assets

The contingent liabilities for the Group as of 31 December 2019 were RM226,500.

A12 Capital commitments

There were no capital commitments for the purchase of property, plant and equipment not provided for in the financial period as at 30 June 2020.

A13 Significant related party transactions

Related Transacting Parties	Related Parties and Relationship
Regalia Records Management Sdn Bhd ("RRM")	RRM is deemed related to the Group by virtue of a Director of the Group, Victor Cheah Chee Wai, is also the Director in RRM.
	RRM is an associated company of E-Sol where E-Sol has 30% equity interest in RRM.
Olive Tree Concepts Sdn Bhd ("OTC")	OTC is deemed related to the Group by virtue of a Director of the Group, Victor Cheah Chee Wai, is also the Director in OTC.
	OTC is a company connected to a Director of the Group, Cheah Chee Kong, by virtue of Section 197 of the Companies Act 2016.
Efficient Protection Services Sdn Bhd ("EPS")	EPS is a company connected to a Director of E-Sol, Dato' Robiah Binti Abdul Ghani, by virtue of Section 197 of the Companies Act 2016.

The related party transactions of the Group for the quarter and financial period 30 June 2020 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	600	600	1,200	1,200
Provision of document archiving and related services to RRM	347,679	298,044	696,150	616,399
IT Services provided to RRM	86,048	45,000	167,042	189,000
IT Services provided to OTC	88,000	264,000	352,000	528,000
Provision of RO water to OTC	1,389	9,255	10,400	22,513
Provision of security services by EPS	109,200	-	196,560	-
Total	632,916	616,899	1,423,352	1,357,112

The Directors of the Group are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

PART B - EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS OF BURSA
 MALAYSIA SECURITIES BERHAD

B1 Financial review for current quarter and financial year to date

	Individual Quarter		Variance		Cumulative Quarter		Variance	
	30.06.2020	30.06.2019			30.06.2020	30.06.2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,231	825	406	49.2%	2,383	1,660	723	43.6%
Loss from operations	(398)	(2,335)	1,937	-83.0%	(1,922)	(4,603)	2,681	-58.2%
Loss before interest and tax	(398)	(2,335)	1,937	-83.0%	(1,922)	(4,603)	2,681	-58.2%
Profit / (Loss) before tax for the financial period	13	(1,731)	1,744	-100.8%	(929)	(3,462)	2,533	-73.2%
Profit / (Loss) after tax for the financial period	8	(1,728)	1,736	-100.5%	(943)	(3,463)	2,520	-72.8%
Profit / (Loss) for the period attributable to:								
Equity holders of the parent	32	(1,699)	1,731	-101.9%	(908)	(3,412)	2,504	-73.4%
Non-controlling interests	(24)	(29)	5		(35)	(51)	16	
	8	(1,728)	1,736	-100.5%	(943)	(3,463)	2,520	-72.8%

(a) Current Year To Date Vs Preceding Year To Date

The Group revenue for the financial year of RM2.38 million was 43.6% or RM0.72 million higher than preceding year of RM1.66 million, the increase was due to revenue contribution from IT Services - Cybersecurity.

The Group recorded loss before tax of RM0.93 million compared to RM3.46 million loss in preceding year corresponding period mainly due to (a) gain on disposal of investment securities; (b) revenue contribution from Cybersecurity services; and (c) lower operating expenses from IT services.

(b) Current Quarter Vs Preceding Year Corresponding Quarter

The revenue for current quarter was RM1.23 million compared to RM0.83 million revenue recorded in preceding year corresponding quarter. The increase in Group revenue by 49.2% was mainly due to dividend income received.

The Group recorded a minimal profit before taxation of RM13k in current quarter against RM1.73 million loss before taxation in preceding year corresponding quarter which mainly due to gain on disposal of investment securities.

B2 Material changes in the profit before taxation for the current quarter as compared with the preceding quarter

The Group's revenue increased by 7% from RM1.15 million in immediate preceding quarter to RM1.23 million of current quarter, it was mainly due to dividend income and one off revenue recognition on a project. The improved Q2 financial result were mainly contributed by higher revenue and lower operating expenses.

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.06.2020	31.03.2020	RM'000	%
Revenue	1,231	1,151	80	7.0%
Loss from operations	(398)	(1,524)	1,126	73.9%
Loss before interest and tax	(398)	(1,524)	1,126	73.9%
Profit / (Loss) before taxation	13	(942)	955	101.4%
Profit / (Loss) after tax for the quarter	8	(951)	959	100.8%
Loss for the period attributable to:				
Equity holders of the parent	32	(940)	972	103.4%
Non-controlling interests	(24)	(11)	(13)	
	8	(951)	959	100.8%

**PART B - EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS OF BURSA
 MALAYSIA SECURITIES BERHAD**

B3 Prospects

The Group foresees the second half of year 2020 will be challenging due to uncertainties in the economy and impact of Covid-19. However, the Group remains focus in expanding its IT businesses as the new normal has changed the way businesses operate.

B4 Profit forecast or profit guarantee

This note is not applicable.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM	RM	RM	RM
Current tax	(5,399)	(7,509)	(14,841)	(21,376)
Deferred tax	600	10,387	1,200	20,349
	(4,799)	2,878	(13,641)	(1,027)

The Group's accounted for tax expenses due to interest income and certain expenses not deductible for tax purpose.

B6 Corporate proposals

(a) There were no corporate proposals announced but not completed during the quarter and financial period under review except for:

The Board of Directors of Efficient wishes to announce that Bursa Securities has granted Efficient an extension of time up to 31 December 2020 to submit a regularisation plan pursuant to paragraph 8.04(3) together with paragraph 5.0 of Practice Note 17 of the Main Market Listing Requirements of Bursa Securities.

(b) Utilisation of proceeds as at financial period ended 30 June 2020.

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe	Deviation	Explanations
	RM' million	RM' million			
Proposed Distribution	12.1	12.1	Within 6 months	-	
Development of the document management segment and/ or acquisition of viable new businesses and/ or assets	53.5	19.8	Within 18 months	63%	The Group is exploring new business opportunity
Working Capital	8.0	8.0	Within 12 months	-	
Estimated expenses in relation to the Proposals	1.4	1.4	Within 1 month	-	

B7 Borrowing and debt securities

This note is not applicable.

B8 Changes in material litigation

There was no pending material litigation as at the latest applicable date from the date of issuance of this report.

B9 Dividend

There were no dividend paid during the financial period.

PART B - EXPLANATORY NOTES PURSUANT TO THE LISTING REQUIREMENTS OF BURSA
 MALAYSIA SECURITIES BERHAD

B10 Earnings per share

	Individual Quarter		Cumulative Quarter	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM	RM	RM	RM
Basic Earnings Per Share				
Profit / (Loss) attributable to ordinary equity holders of the parent	32,184	(1,698,535)	(907,652)	(3,412,108)
Weighted average number of ordinary shares in issue	709,130,100	709,130,100	709,130,100	709,130,100
Basic Earning / (Loss) per share (sen)	0.005	(0.24)	(0.13)	(0.48)

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the financial period.

B11 Profit for the year

	Individual Quarter		Cumulative Quarter	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense - Right of use asset	669	369	1,414	369
Depreciation of property, plant and equipment	229,363	447,808	489,415	997,190
Depreciation of Investment properties	165,160	179,522	333,590	400,481
Depreciation of right of use asset	7,714	8,087	15,428	8,087
Amortisation of Intangible asset	-	35,467	-	70,935
Loss on disposal of property, plant and equipment	102,916	-	102,916	34,500
Fair value loss on FVTPL financial assets	128,928	63,660	105,011	98,108
and after crediting :				
Interest income	316,585	384,067	698,614	842,009
Rental income	347,351	424,670	760,121	842,340
Other income including investment income	134,537	34,034	206,887	85,851
Gain on disposal of property, plant and equipment	-	15,000	-	15,000
Gain on disposal of investment securities	1,175,541	-	1,175,541	-
Foreign exchange gain	326	(1,735)	461	1,511

B12 Realised and unrealised profit/(loss)

Total retained profits of the Group comprised the following:

	30.06.2020	31.12.2019
	RM	RM
Realised	52,256,204	52,483,113
Unrealised	(1,263,519)	(276,750)
	<u>50,992,685</u>	<u>52,206,363</u>
Add consolidation adjustments	1,957,265	1,651,240
Total Group retained profits as per consolidated accounts	<u>52,949,951</u>	<u>53,857,603</u>

B13 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 August 2020.