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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 THIRD QUARTER ENDED

30 SEPTEMBER 2020

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

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

	Individual Quarter		Cumulative Quarter	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Revenue	926,193	858,266	3,309,080	2,518,312
Cost of sales	(402,431)	(463,540)	(1,282,901)	(1,536,884)
Gross profit	523,762	394,726	2,026,179	981,428
Other operating income	340,928	468,697	2,483,938	1,413,400
Administrative and operating expenses	(2,588,070)	(3,193,457)	(8,155,510)	(9,328,122)
Loss from operations	(1,723,380)	(2,330,034)	(3,645,393)	(6,933,294)
Finance costs	(593)	(124)	(2,007)	(493)
Interest income	252,809	391,816	951,423	1,233,825
Share of result of associates	100,302	336,115	396,117	636,134
Loss before tax	(1,370,862)	(1,602,227)	(2,299,860)	(5,063,828)
Income tax expense	(3,515)	(6,428)	(17,156)	(7,455)
Net loss for the period	(1,374,377)	(1,608,655)	(2,317,016)	(5,071,283)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(1,374,377)	(1,608,655)	(2,317,016)	(5,071,283)
Loss for the period attributable to :				
Equity holders of the parent	(1,374,824)	(1,599,461)	(2,282,476)	(5,011,569)
Non-controlling interests	447	(9,194)	(34,540)	(59,714)
	(1,374,377)	(1,608,655)	(2,317,016)	(5,071,283)
Total comprehensive loss for the period attributable to :				
Equity holders of the parent	(1,374,824)	(1,599,461)	(2,282,476)	(5,011,569)
Non-controlling interests	447	(9,194)	(34,540)	(59,714)
	(1,374,377)	(1,608,655)	(2,317,016)	(5,071,283)
Loss per share attributable to equity holders of the parent :				
Basic (sen)	(0.19)	(0.23)	(0.32)	(0.71)

(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 SEPTEMBER 2020

	(Unaudited) As at 30.09.2020	(Audited) As at 31.12.2019
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	27,140,087	27,941,833
Investment properties	39,866,637	40,361,433
Investment in associated companies	6,235,165	5,839,048
Other investments	150,000	150,000
Right of use asset	55,564	78,707
	73,447,453	74,371,021
Current assets		
Trade receivables	1,313,710	1,238,657
Other receivables	943,847	894,290
Tax recoverable	66,993	61,652
Investment securities	7,067,321	8,090,037
Deposits with licensed banks	40,604,427	44,254,842
Cash and bank balances	5,580,498	3,076,269
	55,576,796	57,615,747
Total assets	129,024,249	131,986,768
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	75,546,598	75,546,598
Retained earnings	51,575,127	53,857,603
	127,121,725	129,404,201
Non-controlling interest	170,040	204,580
Total equity	127,291,765	129,608,781
Non-current liabilities		
Deferred tax liabilities	41,048	42,849
Lease liabilities	27,428	49,215
	68,476	92,064
Current liabilities		
Trade payables	164,022	233,122
Other payables	730,913	1,328,923
Contract liabilities	734,244	683,451
Lease liabilities	29,521	30,477
Tax Payable	5,308	9,950
	1,664,008	2,285,923
Total liabilities	1,732,484	2,377,987
Total equity and liabilities	129,024,249	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 SEPTEMBER 2020
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 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	-	-	-	-	(2,282,476)	(2,282,476)	(34,540)	(2,317,016)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(2,282,476)	(2,282,476)	(34,540)	(2,317,016)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
As at 30 September 2020	75,546,598	-	-	-	51,575,127	127,121,725	170,040	127,291,765

(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 SEPTEMBER 2020
THE FIGURES HAVE NOT BEEN AUDITED

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

	30.09.2020	31.12.2019
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation:	(2,299,860)	(8,316,739)
Adjustments for:		
Depreciation of investment properties	498,596	681,294
Depreciation of property, plant and equipment	730,285	1,789,446
Depreciation of right of use asset	23,143	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	-	141,869
Fair value (gain)/loss on FVTPL financial assets	39,845	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	(349,774)	(52,288)
Interest income	(951,423)	(1,621,707)
Interest expenses	2,007	1,784
Investment income from investment securities	(140,518)	(137,770)
Share of results of associated companies	(396,117)	(569,502)
Reversal of impairment loss on trade receivables	-	(5,506)
Operating loss before changes in working capital	<u>(3,916,441)</u>	<u>(6,607,980)</u>
Decrease/(Increase) in trade and other receivables	(124,612)	(451,521)
Increase/(Decrease) in trade and other payables	<u>(616,316)</u>	<u>792,212</u>
Cash generated used in operations	(4,657,369)	(6,267,289)
Tax refund/(paid), net of tax paid/refunded	<u>(28,939)</u>	<u>3,066</u>
Net cash used in operating activities	<u>(4,686,308)</u>	<u>(6,264,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	19,774	52,288
Interest from deposits with licensed banks	951,423	1,621,707
Increase in investment securities	(141,587)	(136,497)
Investment income	140,518	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	(31,457)	(695,395)
Purchase of investment properties	(3,800)	(6,238)
Dividend Income from associated company	330,000	870,000
Net cash generated from/(used in) investing activities	<u>3,564,872</u>	<u>1,866,636</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(22,743)	(19,066)
Interest paid	(2,007)	(1,784)
Net cash used in financing activities	<u>(24,750)</u>	<u>(20,850)</u>
Net change in cash and cash equivalents	(1,146,186)	(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>46,184,925</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	5,580,498	3,076,269
Deposits with licensed banks	<u>40,604,427</u>	<u>44,254,842</u>
	<u><u>46,184,925</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 September 2020.

Analysis by activities	Records Management	IT Services	Others	Elimination	Total
	RM	RM	RM	RM	RM
Operating Revenue					
External sales	1,037,987	1,813,319	457,774	-	3,309,080
Total operating revenue	1,037,987	1,813,319	457,774	-	3,309,080
Result					
Loss from operations	(713,924)	(2,057,217)	(580,342)	(305,871)	(3,657,353)
Unrealised Depreciation	-	-	-	11,960	11,960
Finance costs	-	-	(2,007)	-	(2,007)
Interest income	12,120	41,520	897,783	-	951,423
Share of result of associates	-	-	396,117	-	396,117
Loss before taxation	(701,804)	(2,015,697)	711,551	(293,911)	(2,299,860)
Income tax expense					(17,156)
Loss for the period					(2,317,016)
NCI					34,540
Total comprehensive loss for the period					(2,282,476)

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 September 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 September 2020 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	600	600	1,800	1,800
Provision of document archiving and related services to RRM	341,837	262,255	1,037,987	878,654
IT Services provided to RRM	104,207	45,000	271,248	234,000
IT Services provided to OTC	-	264,000	352,000	792,000
Provision of RO water to OTC	3,533	16,563	13,933	39,076
Provision of security services by EPS	110,400	28,800	306,960	28,800
Total	560,577	617,218	1,983,928	1,974,330

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	
	30.09.2020	30.09.2019			30.09.2020	30.09.2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	926	858	68	7.9%	3,309	2,518	791	31.4%
Loss from operations	(1,723)	(2,330)	607	-26.1%	(3,645)	(6,933)	3,288	-47.4%
Loss before interest and tax	(1,723)	(2,330)	607	-26.1%	(3,645)	(6,933)	3,288	-47.4%
Loss before tax for the financial period	(1,371)	(1,602)	231	-14.4%	(2,300)	(5,064)	2,764	-54.6%
Loss after tax for the financial period	(1,374)	(1,609)	235	-14.6%	(2,317)	(5,071)	2,754	-54.3%
Loss for the period attributable to:								
Equity holders of the parent	(1,374)	(1,600)	226	-14.1%	(2,282)	(5,011)	2,729	-54.5%
Non-controlling interests	-	(9)	9		(35)	(60)	25	
	(1,374)	(1,609)	235	-14.6%	(2,317)	(5,071)	2,754	-54.3%

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

The Group revenue for the financial year of RM3.31 million was 31.4% or RM0.79 million higher than preceding year of RM2.52 million, the increase was due to revenue contribution from IT Services - Cybersecurity.

The Group recorded loss before tax of RM2.3 million compared to RM5.06 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 RM0.93 million compared to RM0.86 million revenue recorded in preceding year corresponding quarter. The increase in Group revenue by 7.9% was contributed by IT services - cybersecurity managed services.

The current quarter loss before taxation, RM1.4 million against RM1.6 million loss before taxation in preceding year corresponding quarter which mainly due to lower operating expenses incurred for cybersecurity services and reversal of expected credit loss.

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

The Group's revenue decreased by 24.8% from RM1.23 million in immediate preceding quarter to RM0.93 million of current quarter, it was mainly due to one off project completion in immediate preceding quarter.

The Group recorded RM1.4 million loss before tax in the current quarter against minimal profit in immediate preceding quarter as a result of gain on disposal of investment securities recognised in previous quarter.

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.09.2020	30.06.2020	RM'000	%
Revenue	926	1,231	(305)	-24.8%
Loss from operations	(1,723)	(398)	(1,325)	-332.9%
Loss before interest and tax	(1,723)	(398)	(1,325)	-332.9%
(Loss)/ Profit before taxation	(1,371)	13	(1,384)	-10646.2%
(Loss)/ profit after tax for the quarter	(1,374)	8	(1,382)	-17275.0%
Loss for the period attributable to:				
Equity holders of the parent	(1,374)	32	(1,406)	-4393.8%
Non-controlling interests	0	(24)	24	
	(1,374)	8	(1,382)	-17269.4%

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

B3 Prospects

The pandemic has caused realignment and delayed in budget implementation. However, the Group see this as temporary gap which will taper off over the 12 to 18 months, given that the pandemic has also accelerated the push to digital transformation. Henceforth, the need for cybersecurity will grow in tandem with the change.

B4 Profit forecast or profit guarantee

This note is not applicable.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Current tax	(4,115)	(13,416)	(18,956)	(34,792)
Deferred tax	600	6,988	1,800	27,337
	(3,515)	(6,428)	(17,156)	(7,455)

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 September 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	20.2	Within 18 months	62%	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	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Basic Earnings Per Share				
Loss attributable to ordinary equity holders of the parent	(1,374,824)	(1,599,461)	(2,282,476)	(5,011,569)
Weighted average number of ordinary shares in issue	709,130,100	709,130,100	709,130,100	709,130,100
Basic Loss per share (sen)	(0.19)	(0.23)	(0.32)	(0.71)

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 Loss for the year

	Individual Quarter		Cumulative Quarter	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Loss for the period is arrived at after charging :				
Interest expense - Right of use asset	593	124	2,007	493
Depreciation of property, plant and equipment	240,871	424,669	730,285	1,421,859
Depreciation of Investment properties	165,006	187,444	498,596	587,925
Depreciation of right of use asset	7,714	4,043	23,143	12,130
Amortisation of Intangible asset	-	35,467	-	106,402
Loss on disposal of property, plant and equipment	-	-	102,916	34,500
Foreign exchange loss	379	-	379	-
Fair value loss on FVTPL financial assets	-	143,004	39,845	241,112
and after crediting :				
Interest income	252,809	391,816	951,423	1,233,825
Rental income	360,936	416,703	1,121,057	1,259,043
Other income including investment income	(23,007)	52,655	183,880	138,507
Gain on disposal of property, plant and equipment	-	-	-	15,000
Gain on disposal of investment securities	-	-	1,175,541	-
Foreign exchange gain	2,999	(661)	3,460	850
Fair value gain on FVTPL financial assets	65,166	-	-	-

B12 Realised and unrealised profit/(loss)

Total retained profits of the Group comprised the following:

	30.09.2020	31.12.2019
	RM	RM
Realised	51,010,158	52,483,113
Unrealised	(1,198,353)	(276,750)
	<u>49,811,805</u>	<u>52,206,363</u>
Add consolidation adjustments	1,763,322	1,651,240
Total Group retained profits as per consolidated accounts	<u>51,575,127</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 26 November 2020.