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EFFICIENT E-SOLUTIONS BERHAD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE THIRD QUARTER ENDED

30 SEPTEMBER 2018

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2018

	Individual Quarter		Cumulative Quarter	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM	RM	RM	RM
Revenue	828,418	840,231	2,770,754	2,518,884
Cost of sales	(541,099)	(300,981)	(1,851,514)	(946,547)
Gross profit	287,319	539,250	919,240	1,572,337
Other operating income	526,775	440,917	1,442,412	1,585,808
Administrative and operating expenses	(2,654,620)	(2,198,946)	(9,191,564)	(6,653,636)
Loss from operations	(1,840,526)	(1,218,779)	(6,829,912)	(3,495,491)
Finance costs	-	(4,905)	(5,123)	(14,171)
Interest income	365,897	512,948	1,314,662	1,466,272
Share of result of associates	224,174	215,625	839,732	666,823
Loss before tax	(1,250,455)	(495,111)	(4,680,641)	(1,376,567)
Income tax expense	(14,271)	(70,520)	(23,110)	(69,804)
Net loss for the period	(1,264,726)	(565,631)	(4,703,751)	(1,446,371)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(1,264,726)	(565,631)	(4,703,751)	(1,446,371)
Loss for the period attributable to :				
Equity holders of the parent	(1,248,161)	(565,631)	(4,663,019)	(1,446,371)
Non-controlling interests	(16,565)	-	(40,732)	-
	(1,264,726)	(565,631)	(4,703,751)	(1,446,371)
Total comprehensive loss for the period attributable to :				
Equity holders of the parent	(1,248,161)	(565,631)	(4,663,019)	(1,446,371)
Non-controlling interests	(16,565)	-	(40,732)	-
	(1,264,726)	(565,631)	(4,703,751)	(1,446,371)
Loss per share attributable to equity holders of the parent :				
Basic (sen)	(0.18)	(0.08)	(0.66)	(0.20)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	(Unaudited) As at 30.09.2018	(Audited) As at 31.12.2017
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	30,948,717	31,014,205
Investment properties	41,209,072	41,677,318
Intangible assets	319,206	430,608
Investment in associated companies	6,175,862	6,236,130
Other investments	150,000	150,000
Goodwill on consolidation	319,598	319,598
	79,122,455	79,827,859
Current assets		
Trade receivables	667,603	758,423
Other receivables	1,120,288	2,216,886
Tax recoverable	98,635	86,703
Investment securities	8,357,476	8,728,017
Deposits with licensed banks	48,998,114	49,515,509
Cash and bank balances	3,593,585	6,804,502
	62,835,701	68,110,040
Total assets	141,958,156	147,937,899
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	70,913,010	70,913,010
Share premium	4,633,588	4,633,588
Retained earnings	65,048,965	69,711,985
	140,595,563	145,258,583
Non-controlling interest	293,875	334,607
Total equity	140,889,438	145,593,190
Non-current liabilities		
Hire purchase payable	-	137,940
Deferred tax liabilities	88,409	116,002
	88,409	253,942
Current liabilities		
Trade payables	57,623	12,625
Other payables	908,941	1,890,596
Hire purchase payables	-	187,546
Tax Payable	13,745	-
	980,309	2,090,767
Total liabilities	1,068,718	2,344,709
Total equity and liabilities	141,958,156	147,937,899

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 2018

	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 2017</u>								
As at 1 January 2017	70,913,010	4,633,588	-	-	72,758,399	148,304,997	-	148,304,997
Loss for the year	-	-	-	-	(3,046,414)	(3,046,414)	(13,792)	(3,060,206)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(3,046,414)	(3,046,414)	(13,792)	(3,060,206)
Acquisition of subsidiaries	-	-	-	-	-	-	348,399	348,399
As at 31 December 2017	70,913,010	4,633,588	-	-	69,711,985	145,258,583	334,607	145,593,190
<u>FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018</u>								
As at 1 January 2018	70,913,010	4,633,588	-	-	69,711,985	145,258,583	334,607	145,593,190
Loss for the period	-	-	-	-	(4,663,019)	(4,663,019)	(40,732)	(4,703,751)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(4,663,019)	(4,663,019)	(40,732)	(4,703,751)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
As at 30 September 2018	70,913,010	4,633,588	-	-	65,048,966	140,595,564	293,875	140,889,439
(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017.)								

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 SEPTEMBER 2018

	30.09.2018	30.09.2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation:	(4,680,641)	(1,376,567)
Adjustments for:		
Depreciation of investment properties	628,334	692,266
Depreciation of property, plant and equipment	1,613,947	1,255,466
Amortisation of intangible asset	111,402	-
Reversal impairment of investment in associated company	-	(123,438)
Fair value (gain)/loss on FVTPL financial assets	504,333	(418,402)
Loss on disposal of investment in associates	-	130,000
Gain on disposal of investment in subsidiary	(31,539)	-
Loss on disposal of property, plant and equipment	1,027	52,901
Loss on disposal of investment properties	-	84
Dividend income	(54,494)	(58,192)
Interest income	(1,314,662)	(1,466,272)
Interest expenses	5,123	14,171
Investment income from investment securities	(133,514)	(76,251)
Share of results of associated companies	(839,732)	(666,823)
Operating loss before changes in working capital	<u>(4,190,416)</u>	<u>(2,041,057)</u>
Decrease/(Increase) in trade and other receivables	963,732	1,974,213
Increase/(Decrease) in trade and other payables	(936,657)	(458,615)
Cash generated used in operations	<u>(4,163,341)</u>	<u>(525,459)</u>
Tax refund/(paid), net of tax paid/refunded	<u>(48,889)</u>	<u>29,267</u>
Net cash used in operating activities	<u>(4,212,230)</u>	<u>(496,192)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	54,494	58,192
Interest from deposits with licensed banks	1,314,662	1,466,272
Increase in investment securities	(133,793)	(1,185,280)
Investment income	133,514	76,251
Proceeds from disposal of associate	-	170,000
Proceeds from disposal of investment securities	-	3,000,000
Proceeds from disposal of property, plant & equipment	2,359	235,849
Proceeds from disposal of investment properties	-	283
Purchase of property, plant and equipment	(1,551,033)	(648,000)
Purchase of investment properties	(160,900)	(75,886)
Consideration received from disposal of subsidiary company	255,224	1,041,883
Dividend Income from associated company	900,000	-
Net cash generated from/(used in) investing activities	<u>814,527</u>	<u>4,139,564</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase and lease creditors	(325,486)	(162,629)
Interest paid	(5,123)	(14,171)
Net cash used in financing activities	<u>(330,609)</u>	<u>(176,800)</u>
Net change in cash and cash equivalents	(3,728,312)	3,466,572
Cash and cash equivalents at beginning of the financial year	56,320,011	54,241,005
Cash and cash equivalents at end of the financial year*	<u><u>52,591,699</u></u>	<u><u>57,707,577</u></u>
*Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	3,593,585	2,574,020
Deposits with licensed banks	48,998,114	55,133,557
	<u><u>52,591,699</u></u>	<u><u>57,707,577</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 2017.)		

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 2017. 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").

A2 Auditors' Report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 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 and financial period 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 and financial period under review, other than repayment of hire purchase loan.

The Group acquired hire purchase facility of RM550,000 as at 31 December 2016 and the hire purchase loan was fully settled as at 30 June 2018.

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 2018.

Analysis by activities	Records Management	IT Services	Others	Elimination	Total
	RM	RM	RM	RM	RM
Operating Revenue					
External sales	965,435	1,660,716	144,603	-	2,770,754
Inter-segment sales	-	-	-	-	-
Total operating revenue	965,435	1,660,716	144,603	-	2,770,754
Result					
Loss from operations	(805,692)	(2,842,475)	(2,901,551)	-	(6,549,718)
Unrealised Depreciation	-	-	-	(173,792)	(173,792)
Amortisation of intangible asset	-	-	-	(106,402)	(106,402)
Finance costs	(1,944)	-	(3,179)	-	(5,123)
Interest income	27,817	46,912	1,239,933	-	1,314,662
Share of result of associates	-	-	839,732	-	839,732
Loss before taxation	(779,819)	(2,795,563)	(825,065)	(280,194)	(4,680,641)
Income tax expense					(23,110)
Loss for the period					(4,703,751)
Other comprehensive income					-
Total comprehensive loss for the period					(4,703,751)

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 and financial period under review.

A10 Changes in the composition of the Group

There were no changes in the composition of the Group since the end of the previous quarter.

A11 Changes in contingent liabilities and contingent assets

The contingent liabilities of the Group since the last annual balance sheet date as at 31 December 2017 were RM221,500.

A12 Capital commitments

The capital commitments for the purchase of property, plant and equipment not provided for in the financial period as at 30 September 2018 are as follows :

Approved and contracted for :	RM'000
Property, plant and equipment	<u>6</u>
	<u>6</u>

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.

The related party transactions of the Group for the quarter and financial period ended 30 September 2018 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	600	800	1,800	1,050
Provision of document archiving and related services to RRM	325,228	314,528	965,435	935,518
IT Services provided to RRM	45,000	60,000	165,000	180,000
IT Services provided to OTC	264,000	264,000	792,000	792,000
Provision of RO water to OTC	26,633	-	42,763	-
Total	661,460	639,328	1,966,998	1,908,568

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.

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018
 THE FIGURES HAVE NOT BEEN AUDITED

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	
	30.09.2018	30.09.2017			30.09.2018	30.09.2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	828	840	(12)	-1.4%	2,771	2,519	252	10.0%
Loss from operations	(1,841)	(1,219)	(622)	51.0%	(6,830)	(3,495)	(3,335)	95.4%
Loss before interest and tax	(1,841)	(1,219)	(622)	51.0%	(6,830)	(3,495)	(3,335)	95.4%
Loss before tax for the financial period	(1,250)	(495)	(755)	152.5%	(4,681)	(1,377)	(3,304)	239.9%
Loss after tax before gain on disposal of subsidiary	(1,265)	(566)	(699)	123.5%	(4,704)	(1,446)	(3,258)	225.3%
Loss after tax for the financial period	(1,265)	(566)	(699)	123.5%	(4,704)	(1,446)	(3,258)	225.3%
Loss for the period attributable to:								
Equity holders of the parent	(1,248)	(566)	(682)	120.5%	(4,663)	(1,446)	(3,217)	222.5%
Non-controlling interests	(17)	-	(17)		(41)	-	(41)	
	(1,265)	(566)	(699)	123.5%	(4,704)	(1,446)	(3,258)	225.3%

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

The Group recorded RM2.77 million for the financial period ended 30 September 2018 in revenue, a 10% increase from RM2.52 million reported in the preceding year corresponding period, primarily due to revenue contributed from Cybersecurity services and stable revenue generated from records management.

The Group recorded loss before tax of RM4.7 million as compared to RM1.45 million loss in preceding year corresponding period mainly due to (a) fair value loss from other investment; (b) marketing and promotional expenses; (c) set-up cost and operating expenses of Cybersecurity Services.

(b) Current Quarter Vs Preceding Year Corresponding Quarter

For the quarter ended 30 September 2018, the Group revenue decreased by 1.4% to RM0.83 million compared to preceding year corresponding quarter of RM0.84 million mainly due to IT contract renewed at lower contractual value as a result of reduction on scope of services.

The Group recorded RM1.3 million loss before tax for the current quarter against RM0.6 million loss in preceding year corresponding quarter mainly due to (a) operating expenses incurred on Cybersecurity Services; and (b) lower interest income.

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

The Group's revenue of RM0.83 million for current quarter was 24.9% lower than the immediate preceding quarter of RM1.1 million due to a one-off project completion and revenue recognised immediate preceding quarter.

The Group recorded RM1.3 million loss before tax in the current quarter against RM1.7 million loss before tax in the immediate preceding quarter as a result of fair value gain from other investment recognised in current quarter.

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.09.2018	30.06.2018	RM'000	%
Revenue	828	1,103	(275)	-24.9%
Loss from operations	(1,841)	(2,568)	727	28.3%
Loss before interest and tax	(1,841)	(2,568)	727	28.3%
Loss before taxation	(1,250)	(1,741)	491	28.2%
Loss after tax for the quarter	(1,265)	(1,745)	480	27.5%
Loss for the period attributable to:				
Equity holders of the parent	(1,248)	(1,745)	497	28.5%
Non-controlling interests	(17)	-	(17)	
	(1,265)	(1,745)	480	27.5%

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

B3 Prospects

At business innovation and digital transformation age, embedding cybersecurity into digital transformation is critical. Businesses today must be able to anticipate and prevent business disruption in the first place. The Group is continuously educating businesses to make security the starting point, not an afterthought. The Group is optimistic even though it may take time for people to accept and incorporate cybersecurity as part of the business operation.

B4 Profit forecast or profit guarantee

This note is not applicable.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM	RM	RM	RM
Current tax	23,384	71,312	50,703	82,795
Deferred tax	(9,112)	(792)	(27,592)	(12,991)
	14,271	70,520	23,110	69,804

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 2018 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 2018.

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	15.2	Within 18 months	72%	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

The Group's borrowing was fully settled as at 30 September 2018.

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 period.

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

B10 Earnings per share

	Individual Quarter		Cumulative Quarter	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM	RM	RM	RM
Basic Earnings Per Share				
Loss attributable to ordinary equity holders of the parent	(1,248,161)	(565,631)	(4,663,019)	(1,446,371)
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)	(0.18)	(0.08)	(0.66)	(0.20)

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 period.

B11 Profit for the period

	Individual Quarter		Cumulative Quarter	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	-	4,905	5,123	14,171
Depreciation of property, plant and equipment	579,949	402,005	1,613,947	1,255,466
Depreciation of Investment properties	175,787	230,089	628,334	692,266
Amortisation of Intangible asset	35,467	-	111,402	-
Loss on disposal of property, plant and equipment	-	-	1,027	52,901
Loss on disposal of Investment properties	-	-	-	84
Foreign exchange loss	-	59	-	372
Fair value loss on FVTPL financial assets	-	-	795,675	-
and after crediting :				
Interest income	365,897	512,948	1,314,662	1,466,272
Rental income	381,518	363,518	1,168,555	1,091,055
Other income including investment income	109,232	30,460	236,983	76,351
Gain on disposal of subsidiary companies	31,539	-	31,539	-
Foreign exchange gain	4,485	-	5,334	-
Fair value gain on FVTPL financial assets	291,342	46,938	291,342	418,402

B12 Realised and unrealised profit/(loss)

Total retained profits of the Group comprised the following:

	30.09.2018	31.12.2017
	RM	RM
Realised	(5,236,040)	75,462,939
Unrealised	(592,743)	821,276
	(5,828,783)	76,284,215
Add consolidation adjustments	70,877,748	(6,572,230)
Total Group retained profits as per consolidated accounts	<u>65,048,965</u>	<u>69,711,985</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 Nov 2018.