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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 FOURTH QUARTER ENDED

31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
QUARTER ENDED 31 DECEMBER 2018

	Individual Quarter		Cumulative Quarter	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Revenue	974,205	779,679	3,744,959	3,298,563
Cost of sales	(837,328)	(442,294)	(2,688,842)	(1,388,841)
Gross profit	136,877	337,385	1,056,117	1,909,722
Other operating income	453,911	806,574	1,896,323	2,392,382
Administrative and operating expenses	(3,982,425)	(3,373,475)	(13,173,989)	(10,027,111)
Loss from operations	(3,391,637)	(2,229,516)	(10,221,549)	(5,725,007)
Finance costs	-	(4,415)	(5,123)	(18,586)
Interest income	466,753	514,387	1,781,415	1,980,659
Share of result of associates	(36,316)	113,919	803,416	780,742
Loss before tax	(2,961,200)	(1,605,625)	(7,641,841)	(2,982,192)
Income tax expense	8,844	(8,211)	(14,266)	(78,015)
Net loss for the period	(2,952,356)	(1,613,836)	(7,656,107)	(3,060,207)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(2,952,356)	(1,613,836)	(7,656,107)	(3,060,207)
Loss for the period attributable to :				
Equity holders of the parent	(2,926,679)	(1,600,043)	(7,589,698)	(3,046,414)
Non-controlling interests	(25,677)	(13,793)	(66,409)	(13,793)
	(2,952,356)	(1,613,836)	(7,656,107)	(3,060,207)
Total comprehensive loss for the period attributable to :				
Equity holders of the parent	(2,926,679)	(1,600,043)	(7,589,698)	(3,046,414)
Non-controlling interests	(25,677)	(13,793)	(66,409)	(13,793)
	(2,952,356)	(1,613,836)	(7,656,107)	(3,060,207)
Loss per share attributable to equity holders of the parent :				
Basic (sen)	(0.41)	(0.23)	(1.07)	(0.43)

(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 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	(Unaudited) As at 31.12.2018	(Audited) As at 31.12.2017
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	29,812,564	31,014,205
Investment properties	41,036,489	41,677,318
Intangible assets	283,739	430,608
Investment in associated companies	6,139,546	6,236,130
Other investments	150,000	150,000
Goodwill on consolidation	319,598	319,598
	77,741,936	79,827,859
Current assets		
Trade receivables	649,301	758,423
Other receivables	1,030,301	2,216,886
Tax recoverable	112,683	86,703
Investment securities	8,196,240	8,728,017
Deposits with licensed banks	48,340,333	49,515,509
Cash and bank balances	3,409,216	6,804,502
	61,738,074	68,110,040
Total assets	139,480,010	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	62,122,287	69,711,985
	137,668,885	145,258,583
Non-controlling interest	268,198	334,607
Total equity	137,937,083	145,593,190
Non-current liabilities		
Hire purchase payable	-	137,940
Deferred tax liabilities	79,297	116,002
	79,297	253,942
Current liabilities		
Trade payables	34,814	12,625
Other payables	1,418,471	1,890,596
Hire purchase payables	-	187,546
Tax Payable	10,345	-
	1,463,630	2,090,767
Total liabilities	1,542,927	2,344,709
Total equity and liabilities	139,480,010	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 31 DECEMBER 2018
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 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 31 DECEMBER 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	-	-	-	-	(7,589,698)	(7,589,698)	(66,409)	(7,656,107)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(7,589,698)	(7,589,698)	(66,409)	(7,656,107)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
As at 31 December 2018	70,913,010	4,633,588	-	-	62,122,287	137,668,885	268,198	137,937,083
(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 31 DECEMBER 2018
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 31 DECEMBER 2018

	31.12.2018	31.12.2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation:	(7,641,841)	(2,982,191)
Adjustments for:		
Depreciation of investment properties	800,917	924,455
Depreciation of property, plant and equipment	2,196,220	1,667,805
Amortisation of intangible asset	146,869	2,500
Impairment of property, plant and equipment	594,577	-
Fair value (gain)/loss on FVTPL financial assets	704,902	(597,619)
Loss on disposal of investment in associates	-	130,000
(Gain) / Loss on disposal of investment linked funds	-	(173,930)
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	(1,781,415)	(1,980,659)
Interest expenses	5,123	18,586
Investment income from investment securities	(174,633)	(133,509)
Share of results of associated companies	(803,416)	(780,742)
(Reversal)/Impairment of Investment in Assoc Co	-	(123,438)
Operating loss before changes in working capital	<u>(6,037,703)</u>	<u>(4,033,949)</u>
Decrease/(Increase) in trade and other receivables	1,072,021	1,393,931
Increase/(Decrease) in trade and other payables	<u>(449,936)</u>	<u>813,924</u>
Cash generated used in operations	<u>(5,415,618)</u>	<u>(1,826,094)</u>
Tax refund/(paid), net of tax paid/refunded	<u>(66,604)</u>	<u>10,967</u>
Net cash used in operating activities	<u>(5,482,222)</u>	<u>(1,815,127)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	54,494	58,192
Interest from deposits with licensed banks	1,781,415	1,980,659
Increase in investment securities	(173,125)	(1,254,261)
Investment income	174,633	133,509
Proceeds from disposal of associate	-	170,000
Proceeds from disposal of investment with fund management company	-	3,548,750
Proceeds from disposal of property, plant & equipment	-	235,849
Proceeds from disposal of investment properties	2,359	283
Purchase of property, plant and equipment	(1,591,731)	(1,655,480)
Purchase of investment properties	(160,900)	(155,858)
Consideration received from disposal of subsidiary company	255,224	1,041,883
Investment in subsidiary	-	(266,353)
Dividend Income from associated company	900,000	300,060
Net cash generated from/(used in) investing activities	<u>1,242,369</u>	<u>4,137,233</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase and lease creditors	(325,486)	(224,514)
Interest paid	<u>(5,123)</u>	<u>(18,586)</u>
Net cash used in financing activities	<u>(330,609)</u>	<u>(243,100)</u>
Net change in cash and cash equivalents	(4,570,462)	2,079,006
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>51,749,549</u></u>	<u><u>56,320,011</u></u>
*Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	3,409,216	6,804,502
Deposits with licensed banks	<u>48,340,333</u>	<u>49,515,510</u>
	<u><u>51,749,549</u></u>	<u><u>56,320,011</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 year under review.

A5 Material changes in estimates

There were no changes in estimates that have had a material effect in the current financial year'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 year 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 31 December 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 year 31 December 2018.

Analysis by activities	Records Management	IT Services	Others	Elimination	Total
	RM	RM	RM	RM	RM
Operating Revenue					
External sales	1,294,095	2,270,260	180,604	-	3,744,959
Inter-segment sales	-	-	-	-	-
Total operating revenue	1,294,095	2,270,260	180,604	-	3,744,959
Result					
Loss from operations	(1,071,782)	(3,939,771)	(4,278,047)	-	(9,289,600)
Unrealised Depreciation	-	-	-	(195,504)	(195,504)
Amortisation of intangible asset	-	-	-	(141,869)	(141,869)
Impairment of property, plant and equipment	-	-	-	(594,577)	(594,577)
Finance costs	(1,944)	-	(3,179)	-	(5,123)
Interest income	36,252	64,951	1,680,213	-	1,781,416
Share of result of associates	-	-	803,416	-	803,416
Loss before taxation	(1,037,474)	(3,874,820)	(1,797,597)	(931,950)	(7,641,841)
Income tax expense					(14,266)
Loss for the period					(7,656,107)
NCI					66,409
Other comprehensive income					-
Total comprehensive loss for the period					(7,589,698)

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 year under review.

A10 Changes in the composition of the Group

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

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 2018 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 statements as at 31 December 2018.

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 year ended 31 December 2018 are as follows:

	Individual Quarter		Cumulative Quarter	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	600	600	2,400	1,650
Provision of document archiving and related services to RRM	328,660	316,966	1,294,095	1,252,484
IT Services provided to RRM	45,000	60,000	210,000	240,000
IT Services provided to OTC	264,000	264,000	1,056,000	1,056,000
Provision of RO water to OTC	14,239	-	57,002	-
Total	652,499	641,566	2,619,498	2,550,134

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	
	31.12.2018	31.12.2017			31.12.2018	31.12.2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	974	780	194	24.9%	3,745	3,299	446	13.5%
Loss from operations	(3,392)	(2,230)	(1,162)	52.1%	(10,222)	(5,725)	(4,497)	78.6%
Loss before interest and tax	(3,392)	(2,230)	(1,162)	52.1%	(10,222)	(5,725)	(4,497)	78.6%
Loss before tax for the financial period	(2,961)	(1,606)	(1,355)	84.4%	(7,642)	(2,982)	(4,660)	156.3%
Loss after tax before gain on disposal of subsidiary	(2,952)	(1,614)	(1,338)	82.9%	(7,656)	(3,060)	(4,596)	150.2%
Loss after tax for the financial period	(2,952)	(1,614)	(1,338)	82.9%	(7,656)	(3,060)	(4,596)	150.2%
Loss for the period attributable to:								
Equity holders of the parent	(2,926)	(1,600)	(1,326)	82.9%	(7,589)	(3,046)	(4,543)	149.1%
Non-controlling interests	(26)	(14)	(12)		(66)	(14)	(52)	
	(2,952)	(1,614)	(1,338)	82.9%	(7,655)	(3,060)	(4,595)	150.2%

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

The Group revenue for the financial year ended 31 December 2018 increase marginally to RM3.75 million as compared to preceding year corresponding period of RM3.3 million, a 13.5% increase in revenue was contributed from IT services, Cybersecurity arm.

The Group recorded loss before tax of RM7.6 million as compared to RM3.0 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; and (d) impairment for property, plant and equipment.

(b) Current Quarter Vs Preceding Year Corresponding Quarter

For the quarter ended 31 December 2018, the Group revenue increased by 24.9% to RM0.9 million compared to preceding year corresponding quarter of RM0.8 million mainly due to revenue generated from Cybersecurity services.

The Group recorded RM3.0 million loss before tax for the current quarter against RM1.6 million loss in preceding year corresponding quarter mainly due to (a) fair value loss from other investment; (b) impairment for property, plant and equipment and (c) operating expenses incurred on Cybersecurity Services.

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

The Group's revenue of RM0.97 million for current quarter was 17.6% higher than the immediate preceding quarter of RM0.83 million due to higher revenue generated from Cybersecurity services.

The Group recorded RM2.96 million loss before tax in the current quarter against RM1.25 million loss before tax in the immediate preceding quarter as a result of fair value loss and impairment for property, plant and equipment recorded in current quarter.

	Current Quarter	Immediate Preceding Quarter	Variance	
	31.12.2018	30.09.2018	RM'000	%
Revenue	974	828	146	17.6%
Loss from operations	(3,392)	(1,841)	(1,551)	-84.2%
Loss before interest and tax	(3,392)	(1,841)	(1,551)	-84.2%
Loss before taxation	(2,961)	(1,250)	(1,711)	-136.9%
Loss after tax for the quarter	(2,952)	(1,265)	(1,687)	-133.4%
Loss for the period attributable to:				
Equity holders of the parent	(2,926)	(1,248)	(1,678)	-134.5%
Non-controlling interests	(26)	(17)	(9)	
	(2,952)	(1,265)	(1,687)	-133.3%

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

B3 Prospects

In current digital environment, continuous threats and attacks have given rise to a surge in interest with cyber security spending, we expect to benefit from this trend over the next twelve months. Adding to this, Bank Negara Malaysia have recently invited feedback on an upcoming IT Risk Management Framework and had indicated the timeframe for implementation to all Financial Institutions. We expect to benefit from this new directive as we are well position to provide a wide range of services.

B4 Profit forecast or profit guarantee

This note is not applicable.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Current tax	269	9,003	50,971	91,798
Deferred tax	(9,112)	(792)	(36,705)	(13,783)
	(8,844)	8,211	14,267	78,015

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 year 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 30 June 2019 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 year ended 31 December 2018.

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe	Deviation	Explanations
	RM' million	RM' million			
Proposed Distribution	12.1	12.1	Within 6 months	-	The Group is exploring new business opportunity
Development of the document management segment and/ or acquisition of viable new businesses and/ or assets	53.5	16.0	Within 18 months	70%	
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 31 December 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Basic Earnings Per Share				
Loss attributable to ordinary equity holders of the parent	(2,926,679)	(1,600,043)	(7,589,698)	(3,046,414)
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)	(0.41)	(0.23)	(1.07)	(0.43)

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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	-	4,415	5,123	18,586
Depreciation of property, plant and equipment	582,273	412,338	2,196,220	1,667,805
Depreciation of Investment properties	172,583	232,189	800,917	924,455
Amortisation of Intangible asset	35,467	2,500	146,869	2,500
Loss on disposal of property, plant and equipment	-	-	1,027	52,901
Loss on disposal of Investment properties	-	-	-	84
Loss on disposal of investment in associate	-	-	-	130,000
Foreign exchange loss	-	111	-	483
Fair value loss on FVTPL financial assets	200,568	-	996,244	-
Impairment of property, plant and equipment	594,577	-	594,577	-
and after crediting :				
Interest income	466,753	514,387	1,781,415	1,980,659
Rental income	388,418	396,168	1,556,974	1,487,224
Other income including investment income	65,011	57,258	301,993	133,609
Gain on disposal of subsidiary companies	-	173,930	31,539	173,930
Foreign exchange gain	482	0	5,816	0
Fair value gain on FVTPL financial assets	-	179,217	291,342	597,619

B12 Realised and unrealised profit/(loss)

Total retained profits of the Group comprised the following:

	31.12.2018	31.12.2017
	RM	RM
Realised	69,506,792	75,462,939
Unrealised	(784,199)	821,276
	68,722,594	76,284,215
Add consolidation adjustments	(6,600,307)	(6,572,230)
Total Group retained profits as per consolidated accounts	62,122,287	69,711,985

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 Feb 2019.