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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 SECOND QUARTER ENDED

30 JUNE 2019

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019

	Individual Quarter		Cumulative Quarter	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM	RM	RM	RM
Revenue	825,279	1,103,288	1,660,046	1,942,336
Cost of sales	(461,520)	(901,143)	(1,073,344)	(1,310,415)
Gross profit	363,759	202,145	586,702	631,921
Other operating income	471,969	466,911	944,703	915,637
Administrative and operating expenses	(3,170,740)	(3,236,621)	(6,134,665)	(6,536,944)
Loss from operations	(2,335,012)	(2,567,565)	(4,603,260)	(4,989,386)
Finance costs	(369)	(1,199)	(369)	(5,123)
Interest income	384,067	478,017	842,009	948,765
Share of result of associates	220,399	350,194	300,019	615,558
Loss before tax	(1,730,915)	(1,740,553)	(3,461,601)	(3,430,186)
Income tax expense	2,878	(4,495)	(1,027)	(8,839)
Net loss for the period	(1,728,037)	(1,745,048)	(3,462,628)	(3,439,025)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(1,728,037)	(1,745,048)	(3,462,628)	(3,439,025)
Loss for the period attributable to :				
Equity holders of the parent	(1,698,535)	(1,744,661)	(3,412,108)	(3,414,858)
Non-controlling interests	(29,502)	(387)	(50,520)	(24,167)
	(1,728,037)	(1,745,048)	(3,462,628)	(3,439,025)
Total comprehensive loss for the period attributable to :				
Equity holders of the parent	(1,698,535)	(1,744,661)	(3,412,108)	(3,414,858)
Non-controlling interests	(29,502)	(387)	(50,520)	(24,167)
	(1,728,037)	(1,745,048)	(3,462,628)	(3,439,025)
Loss per share attributable to equity holders of the parent :				
Basic (sen)	(0.24)	(0.25)	(0.48)	(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 2018.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	(Unaudited) As at 30.06.2019	(Audited) As at 31.12.2018
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	28,859,740	29,812,564
Investment properties	40,636,008	41,036,489
Intangible assets	532,402	603,337
Investment in associated companies	6,019,565	6,139,546
Other investments	150,000	150,000
Right of use asset	14,826	-
	76,212,541	77,741,936
Current assets		
Trade receivables	486,575	649,301
Other receivables	1,278,213	1,030,302
Tax recoverable	102,584	112,683
Investment securities	8,150,710	8,196,240
Deposits with licensed banks	46,254,287	48,340,333
Cash and bank balances	2,926,420	3,409,215
	59,198,789	61,738,074
Total assets	135,411,330	139,480,010
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	75,546,598	75,546,598
Retained earnings	58,709,914	62,122,287
	134,256,512	137,668,885
Non-controlling interest	217,678	268,198
Total equity	134,474,190	137,937,083
Non-current liabilities		
Deferred tax liabilities	58,948	79,298
	58,948	79,298
Current liabilities		
Trade payables	52,012	34,814
Other payables	569,295	1,181,738
Contract liabilities	234,542	236,732
Lease liabilities	15,147	-
Tax Payable	7,196	10,345
	878,192	1,463,629
Total liabilities	937,140	1,542,927
Total equity and liabilities	135,411,330	139,480,010

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2019

	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 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 year	-	-	-	-	(7,589,698)	(7,589,698)	(66,409)	(7,656,107)
Transfer in accordance to section 74 of the Companies Act, 2016	4,633,588	(4,633,588)	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	4,633,588	(4,633,588)	-	-	(7,589,698)	(7,589,698)	(66,409)	(7,656,107)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
As at 31 December 2018	75,546,598	-	-	-	62,122,287	137,668,885	268,198	137,937,083
<u>FINANCIAL PERIOD ENDED 30 JUNE 2019</u>								
As at 1 January 2019	75,546,598	-	-	-	62,122,287	137,668,885	268,198	137,937,083
MFRS 16 Adoption	-	-	-	-	(265)	(265)	-	(265)
Loss for the period	-	-	-	-	(3,412,108)	(3,412,108)	(50,520)	(3,462,628)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(3,412,108)	(3,412,108)	(50,520)	(3,462,628)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
As at 30 June 2019	75,546,598	-	-	-	58,709,914	134,256,512	217,678	134,474,190

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 JUNE 2019

	30.06.2019	31.12.2018
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation:	(3,461,601)	(7,641,841)
Adjustments for:		
Depreciation of investment properties	400,481	800,917
Depreciation of property, plant and equipment	997,190	2,196,220
Depreciation of right of use asset	8,087	-
Amortisation of intangible asset	70,935	146,869
Impairment of property, plant and equipment	-	594,577
Impairment on trade receivables	-	16,372
Fair value (gain)/loss on FVTPL financial assets	98,108	704,902
Written off of investment properties		812
Loss on disposal of property, plant and equipment	19,500	215
Dividend income	(17,296)	(54,494)
Interest income	(842,009)	(1,781,415)
Interest expenses	369	5,123
Investment income from investment securities	(56,188)	(174,633)
Share of results of associated companies	(300,019)	(803,416)
Operating loss before changes in working capital	<u>(3,082,443)</u>	<u>(5,989,792)</u>
Decrease/(Increase) in trade and other receivables	(85,185)	1,279,334
Increase/(Decrease) in trade and other payables	<u>(597,436)</u>	<u>(449,937)</u>
Cash generated used in operations	(3,765,064)	(5,160,395)
Tax refund/(paid), net of tax paid/refunded	<u>(14,426)</u>	<u>(66,605)</u>
Net cash used in operating activities	<u>(3,779,490)</u>	<u>(5,227,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	17,296	54,494
Interest from deposits with licensed banks	842,009	1,781,415
Increase in investment securities	(52,578)	(173,125)
Investment income	56,188	174,633
Proceeds from disposal of property, plant & equipment	23,000	2,359
Purchase of property, plant and equipment	(86,866)	(1,591,730)
Purchase of investment properties	-	(160,900)
Dividend Income from associated company	420,000	900,000
Net cash generated from/(used in) investing activities	<u>1,219,049</u>	<u>987,146</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase and lease creditors	(8,400)	(325,486)
Interest paid	-	(5,123)
Net cash used in financing activities	<u>(8,400)</u>	<u>(330,609)</u>
Net change in cash and cash equivalents	(2,568,841)	(4,570,463)
Cash and cash equivalents at beginning of the financial year	51,749,548	56,320,011
Cash and cash equivalents at end of the financial year*	<u>49,180,707</u>	<u>51,749,548</u>
*Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	2,926,420	3,409,215
Deposits with licensed banks	<u>46,254,287</u>	<u>48,340,333</u>
	<u>49,180,707</u>	<u>51,749,548</u>
(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2018.)		

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 2018. 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 2018 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 and financial year 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 2019.

Analysis by activities	Records Management	IT Services	Others	Elimination	Total
	RM	RM	RM	RM	RM
Operating Revenue					
External sales	616,399	954,351	89,296	-	1,660,046
Total operating revenue	616,399	954,351	89,296	-	1,660,046
Result					
Loss from operations	(492,854)	(1,964,063)	(1,968,278)	-	(4,425,195)
Unrealised Depreciation	-	-	-	(107,130)	(107,130)
Amortisation of intangible asset	-	-	-	(70,935)	(70,935)
Finance costs	-	-	(369)	-	(369)
Interest income	18,147	37,508	786,354	-	842,009
Share of result of associates	-	-	300,019	-	300,019
Loss before taxation	(474,707)	(1,926,555)	(882,274)	(178,065)	(3,461,601)
Income tax expense					(1,027)
Loss for the period					(3,462,628)
NCI					50,520
Other comprehensive income					-
Total comprehensive loss for the period					(3,412,108)

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 during the quarter and financial period under review.

A11 Changes in contingent liabilities and contingent assets

The contingent liabilities for the Group as of 30 June 2019 were RM21,500.

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 2019.

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 30 June 2019 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	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	298,044	321,435	616,399	640,207
IT Services provided to RRM	45,000	60,000	189,000	120,000
IT Services provided to OTC	264,000	264,000	528,000	528,000
Provision of RO water to OTC	9,255	16,130	22,513	16,130
Total	616,899	662,166	1,357,112	1,305,538

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.

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 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019
 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 period to date

	Individual Quarter		Variance		Cumulative Quarter		Variance	
	30.06.2019	30.06.2018			30.06.2019	30.06.2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	825	1,103	(278)	-25.2%	1,660	1,942	(282)	-14.5%
Loss from operations	(2,335)	(2,568)	233	-9.1%	(4,603)	(4,989)	386	-7.7%
Loss before interest and tax	(2,335)	(2,568)	233	-9.1%	(4,603)	(4,989)	386	-7.7%
Loss before tax for the financial period	(1,731)	(1,741)	10	-0.6%	(3,462)	(3,430)	(32)	0.9%
Loss after tax before gain on disposal of subsidiary	(1,728)	(1,745)	17	-1.0%	(3,463)	(3,439)	(24)	0.7%
Loss after tax for the financial period	(1,728)	(1,745)	17	-1.0%	(3,463)	(3,439)	(24)	0.7%
Loss for the period attributable to:								
Equity holders of the parent	(1,699)	(1,745)	46	-2.6%	(3,412)	(3,415)	3	-0.1%
Non-controlling interests	(29)	-	(29)		(51)	(24)	(27)	
	(1,728)	(1,745)	17	-1.0%	(3,463)	(3,439)	(24)	0.7%

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

The Group revenue for the financial period of RM1.66 million was decreased by RM0.28 million as compared to preceding year corresponding period of RM1.94 million, the decrease was due to a one-off project for Cybersecurity services recognised in corresponding period.

The Group recorded loss before tax of RM3.46 million as compared to RM3.44 million loss in preceding year corresponding period mainly due to operating expenses incurred on Cybersecurity services.

(b) Current Quarter Vs Preceding Year Corresponding Quarter

The revenue for current quarter was RM0.83 million compared to RM1.1 million revenue recorded in preceding year corresponding quarter. The decrease in Group revenue by 25.2% was due to a one-off project for Cybersecurity services recognised in preceding year corresponding quarter.

The Group current quarter loss before taxation, RM1.73 million against RM1.75 million loss before taxation in preceding year corresponding quarter which mainly due to lower fair value loss recognised from other investment.

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 slightly lower than the immediate preceding quarter of RM0.84 million and the loss before tax of RM1.7 million recorded for both quarters.

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.06.2019	31.03.2019	RM'000	%
Revenue	825	835	(10)	-1.2%
Loss from operations	(2,335)	(2,268)	(67)	-3.0%
Loss before interest and tax	(2,335)	(2,268)	(67)	-3.0%
Loss before taxation	(1,731)	(1,731)	-	0.0%
Loss after tax for the quarter	(1,728)	(1,735)	7	0.4%
Loss for the period attributable to:				
Equity holders of the parent	(1,699)	(1,714)	15	0.9%
Non-controlling interests	(30)	(21)	(9)	
	(1,729)	(1,735)	7	0.4%

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

B3 Prospects

With the Risk Management in Technology (RMiT) policy document having been finalised and released by Bank Negara Malaysia in July 2019 and to be effective in January 2020, the group is optimistic that the additional cybersecurity measures required by Bank Negara for financial institutions will have a positive effect on its cybersecurity business.

B4 Profit forecast or profit guarantee

This note is not applicable.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM	RM	RM	RM
Current tax	(7,509)	13,671	(21,376)	27,319
Deferred tax	10,387	(9,176)	20,349	(18,480)
	2,878	4,495	(1,027)	8,839

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 Dec 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 period ended 30 June 2019.

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	17.3	Within 18 months	68%	
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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM	RM	RM	RM
Basic Earnings Per Share				
Loss attributable to ordinary equity holders of the parent	(1,698,535)	(1,744,661)	(3,412,108)	(3,414,858)
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)	(0.24)	(0.25)	(0.48)	(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 period.

B11 Profit for the period

	Individual Quarter		Cumulative Quarter	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	-	1,199	-	5,123
Interest expense - Right of use asset	369	-	369	-
Depreciation of property, plant and equipment	447,808	542,368	997,190	1,033,998
Depreciation of Investment properties	179,522	224,008	400,481	452,547
Depreciation of right of use asset	8,087	-	8,087	-
Amortisation of Intangible asset	35,467	35,467	70,935	75,935
Loss on disposal of property, plant and equipment	-	812	34,500	1,027
Fair value loss on FVTPL financial assets	63,660	263,903	98,108	795,675
and after crediting :				
Interest income	384,067	478,017	842,009	948,765
Rental income	424,670	393,518	842,340	787,037
Other income including investment income	34,034	72,705	85,851	127,751
Gain on disposal of property, plant and equipment	15,000	-	15,000	-
Foreign exchange gain	(1,735)	688	1,511	849

B12 Realised and unrealised profit/(loss)

Total retained profits of the Group comprised the following:

	30.06.2019	31.12.2018
	RM	RM
Realised	64,709,375	69,506,792
Unrealised	(149,181)	(784,199)
	<u>64,560,194</u>	<u>68,722,594</u>
Add consolidation adjustments	(5,850,280)	(6,600,307)
Total Group retained profits as per consolidated accounts	<u><u>58,709,914</u></u>	<u><u>62,122,287</u></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 Aug 2019.