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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 FOURTH QUARTER ENDED

31 DECEMBER 2019

EFFICIENT E-SOLUTIONS BERHAD Company No. 200301030059 (632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2019

	Individual Quarter		Cumulative Quarter	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM	RM	RM	RM
Revenue	1,438,566	974,205	3,956,878	3,744,959
Cost of sales	(809,948)	(837,328)	(2,346,831)	(2,688,843)
Gross profit	628,618	136,877	1,610,047	1,056,116
Other operating income	485,177	453,911	1,898,577	1,896,322
Administrative and operating expenses	(4,544,794)	(3,982,425)	(13,872,917)	(13,173,987)
Loss from operations	(3,430,999)	(3,391,637)	(10,364,293)	(10,221,549)
Finance costs	(1,293)	-	(1,786)	(5,123)
Interest income	387,882	466,753	1,621,707	1,781,415
Share of result of associates	(66,632)	(36,316)	569,502	803,416
Loss before tax	(3,111,042)	(2,961,200)	(8,174,870)	(7,641,841)
Income tax expense	(3,667)	8,844	(11,121)	(14,266)
Net loss for the period	(3,114,709)	(2,952,356)	(8,185,991)	(7,656,107)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(3,114,709)	(2,952,356)	(8,185,991)	(7,656,107)
Loss for the period attributable to :				
Equity holders of the parent	(3,110,805)	(2,926,679)	(8,122,373)	(7,589,698)
Non-controlling interests	(3,904)	(25,677)	(63,618)	(66,409)
	(3,114,709)	(2,952,356)	(8,185,991)	(7,656,107)
Total comprehensive loss for the period attributable to :				
Equity holders of the parent	(3,110,805)	(2,926,679)	(8,122,373)	(7,589,698)
Non-controlling interests	(3,904)	(25,677)	(63,618)	(66,409)
	(3,114,709)	(2,952,356)	(8,185,991)	(7,656,107)
Loss per share attributable to equity holders of the parent :				
Basic (sen)	(0.44)	(0.41)	(1.15)	(1.07)

(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. 200301030059 (632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	(Unaudited) As at 31.12.2019	(Audited) As at 31.12.2018
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	27,941,834	29,812,564
Investment properties	40,361,434	41,036,489
Intangible assets	141,869	603,337
Investment in associated companies	5,839,048	6,139,546
Other investments	150,000	150,000
Right of use asset	78,707	-
	74,512,892	77,741,936
Current assets		
Trade receivables	1,238,657	649,301
Other receivables	894,288	1,030,302
Tax recoverable	61,652	112,683
Investment securities	8,090,037	8,196,240
Deposits with licensed banks	44,254,842	48,340,333
Cash and bank balances	3,076,269	3,409,215
	57,615,745	61,738,074
Total assets	132,128,637	139,480,010
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	75,546,598	75,546,598
Retained earnings	53,999,473	62,122,287
	129,546,071	137,668,885
Non-controlling interest	204,580	268,198
Total equity	129,750,651	137,937,083
Non-current liabilities		
Deferred tax liabilities	42,848	79,298
Lease liabilities	49,215	-
	92,063	79,298
Current liabilities		
Trade payables	233,123	34,814
Other payables	1,328,922	1,181,738
Contract liabilities	683,451	236,732
Lease liabilities	30,477	-
Tax Payable	9,950	10,345
	2,285,923	1,463,629
Total liabilities	2,377,986	1,542,927
Total equity and liabilities	132,128,637	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. 200301030059 (632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 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 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	-	-	-	-	(441)	(441)	-	(441)
Loss for the period	-	-	-	-	(8,122,373)	(8,122,373)	(63,618)	(8,185,991)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(8,122,373)	(8,122,373)	(63,618)	(8,185,991)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
As at 31 December 2019	75,546,598	-	-	-	53,999,473	129,546,071	204,580	129,750,651

(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. 200301030059 (632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 31 DECEMBER 2019

	31.12.2019	31.12.2018
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation:	(8,174,870)	(7,641,841)
Adjustments for:		
Depreciation of investment properties	681,294	800,917
Depreciation of property, plant and equipment	1,789,446	2,196,220
Depreciation of right of use asset	19,609	-
Amortisation of intangible asset	141,869	146,869
Impairment of property, plant and equipment	641,998	594,577
Impairment of goodwill on consolidation	319,598	-
Impairment on trade receivables	-	16,372
Fair value (gain)/loss on FVTPL financial assets	242,700	704,902
Written off of investment properties	-	812
Loss on disposal of property, plant and equipment	111,681	215
Dividend income	(52,288)	(54,494)
Interest income	(1,621,707)	(1,781,415)
Interest expenses	1,786	5,123
Investment income from investment securities	(137,770)	(174,633)
Share of results of associated companies	(569,502)	(803,416)
Operating loss before changes in working capital	<u>(6,606,155)</u>	<u>(5,989,792)</u>
Decrease/(Increase) in trade and other receivables	(453,342)	1,279,334
Increase/(Decrease) in trade and other payables	792,208	(449,937)
Cash generated used in operations	<u>(6,267,289)</u>	<u>(5,160,395)</u>
Tax refund/(paid), net of tax paid/refunded	3,066	(66,605)
Net cash used in operating activities	<u>(6,264,223)</u>	<u>(5,227,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	52,288	54,494
Interest from deposits with licensed banks	1,621,707	1,781,415
Increase in investment securities	(136,497)	(173,125)
Investment income	137,770	174,633
Proceeds from disposal of property, plant & equipment	23,001	2,359
Purchase of property, plant and equipment	(695,395)	(1,591,730)
Purchase of investment properties	(6,238)	(160,900)
Dividend Income from associated company	870,000	900,000
Net cash generated from/(used in) investing activities	<u>1,866,636</u>	<u>987,146</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase and lease creditors	(20,850)	(325,486)
Interest paid	-	(5,123)
Net cash used in financing activities	<u>(20,850)</u>	<u>(330,609)</u>
Net change in cash and cash equivalents	(4,418,437)	(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 period*	<u>47,331,111</u>	<u>51,749,548</u>
*Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	3,076,269	3,409,215
Deposits with licensed banks	44,254,842	48,340,333
	<u>47,331,111</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 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.

A7 Dividend paid

There were no dividend paid during the financial year.

A8 Segment information

Segment information is presented in respect of the Group's business segment for the financial year ended 31 December 2019.

Analysis by activities	Records Management	IT Services	Others	Elimination	Total
	RM	RM	RM	RM	RM
Operating Revenue					
External sales	1,221,318	2,475,812	259,748	-	3,956,878
Total operating revenue	1,221,318	2,475,812	259,748	-	3,956,878
Result					
Loss from operations	(1,128,170)	(4,692,725)	(2,520,209)	(875,718)	(9,216,822)
Unrealised Depreciation	-	-	-	(44,005)	(44,005)
Amortisation of intangible asset	-	-	-	(141,869)	(141,869)
Goodwill impairment	-	-	-	(319,598)	(319,598)
Impairment of property, plant and equipment	-	-	(641,998)	-	(641,998)
Finance costs	-	-	(1,786)	-	(1,786)
Interest income	33,905	76,841	1,510,961	-	1,621,707
Share of result of associates	-	-	569,502	-	569,502
Loss before taxation	(1,094,265)	(4,615,884)	(1,083,531)	(1,381,190)	(8,174,870)
Income tax expense					(11,121)
Loss for the period					(8,185,991)
NCI					63,618
Total comprehensive loss for the period					(8,122,373)

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 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 year as at 31 December 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.
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 year 31 December 2019 are as follows:

	Individual Quarter		Cumulative Quarter	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	600	600	2,400	2,400
Provision of document archiving and related services to RRM	342,663	328,660	1,221,317	1,294,095
IT Services provided to RRM	78,000	45,000	312,000	210,000
IT Services provided to OTC	264,000	264,000	1,056,000	1,056,000
Provision of RO water to OTC	9,113	14,239	48,189	57,002
Provision of RO water to RRM	3,400	-	6,900	-
Provision of security services by EPS	104,076	-	132,876	-
Total	801,852	652,499	2,779,682	2,619,498

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	
	31.12.2019	31.12.2018			31.12.2019	31.12.2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	1,439	974	465	47.7%	3,957	3,745	212	5.7%
Loss from operations	(3,431)	(3,392)	(39)	1.1%	(10,364)	(10,222)	(142)	1.4%
Loss before interest and tax	(3,431)	(3,392)	(39)	1.1%	(10,364)	(10,222)	(142)	1.4%
Loss before tax for the financial period	(3,111)	(2,961)	(150)	5.1%	(8,175)	(7,642)	(533)	7.0%
Loss after tax for the financial period	(3,115)	(2,952)	(163)	5.5%	(8,186)	(7,656)	(530)	6.9%
Loss for the period attributable to:								
Equity holders of the parent	(3,111)	(2,926)	(185)	6.3%	(8,122)	(7,590)	(532)	7.0%
Non-controlling interests	(4)	(26)	22		(64)	(66)	2	
	(3,115)	(2,952)	(163)	5.5%	(8,186)	(7,656)	(530)	6.9%

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

The Group revenue for the financial year of RM3.96 million was 5.7% or RM212k higher than preceding year of RM3.75 million, the increase was due to revenue improvement for Cybersecurity services. During the financial year, the Group has made a provision of RM0.96 million for goodwill impairment and impairment of plant, property and equipment (PPE) according to accounting standard.

The provision of impairment was based on the assessment of the recoverable value-in-use of the affected subsidiaries and PPE. The Group will continue to review and assess in the coming period to reflect any potential of recovery in value.

As a consequent of provision of impairment, loss before tax for the current year was RM8.19 million compared to RM7.66 million loss in preceding year.

(b) Current Quarter Vs Preceding Year Corresponding Quarter

The revenue recognised for the quarter was RM1.44 million compared to RM0.97 million in preceding year corresponding quarter. The increase was contributed by cybersecurity services.

The current quarter loss before taxation of RM3.11 million against RM2.96 million loss before taxation in preceding year corresponding quarter due to impairment provision recorded in current quarter.

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

The Group's revenue increased by 68% from RM0.86 million in third quarter to RM1.44 million of current quarter, it was due to increase in revenue from cybersecurity services. The current quarter loss before tax of RM3.11 million against RM1.60 million in 3rd quarter with RM0.96 million provision on impairment of goodwill and PPE and higher operating cost on cybersecurity.

	Current Quarter	Immediate Preceding Quarter	Variance	
	31.12.2019	30.09.2019	RM'000	%
Revenue	1,439	858	581	67.7%
Loss from operations	(3,431)	(2,330)	(1,101)	-47.3%
Loss before interest and tax	(3,431)	(2,330)	(1,101)	-47.3%
Loss before taxation	(3,111)	(1,602)	(1,509)	-94.2%
Loss after tax for the quarter	(3,115)	(1,609)	(1,506)	-93.6%
Loss for the period attributable to:				
Equity holders of the parent	(3,111)	(1,599)	(1,512)	-94.6%
Non-controlling interests	(4)	(9)	5	
	(3,115)	(1,608)	(1,507)	-93.7%

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

B3 Prospects

While The Group remain optimistic on business potential from document storage and cybersecurity service, the slowing economy could possible delay some of the potential customer acquisitions.

B4 Profit forecast or profit guarantee

This note is not applicable.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM	RM	RM	RM
Current tax	(12,780)	269	(47,570)	50,970
Deferred tax	9,112	(9,112)	36,449	(36,705)
	(3,667)	(8,844)	(11,121)	14,266

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 30 June 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 year ended 31 December 2019.

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	18.7	Within 18 months	65%	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 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 financial year.

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

B10 Earnings per share

	Individual Quarter		Cumulative Quarter	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM	RM	RM	RM
Basic Earnings Per Share				
Loss attributable to ordinary equity holders of the parent	(3,110,805)	(2,926,679)	(8,122,373)	(7,589,698)
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)	(0.44)	(0.41)	(1.15)	(1.07)

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 year.

B11 Profit for the year

	Individual Quarter		Cumulative Quarter	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	-	-	-	5,123
Interest expense - Right of use asset	1,293	-	1,786	-
Depreciation of property, plant and equipment	367,587	582,273	1,789,446	2,196,220
Depreciation of Investment properties	93,369	172,583	681,294	800,917
Depreciation of right of use asset	7,478	-	19,609	-
Amortisation of Intangible asset	35,467	35,467	141,869	146,869
Loss on disposal of property, plant and equipment	92,181	-	126,681	1,027
Fair value loss on FVTPL financial assets	1,588	200,568	242,700	996,244
Impairment of property, plant and equipment	641,998	594,577	641,998	594,577
Goodwill impairment	319,598	-	319,598	-
and after crediting :				
Interest income	387,882	466,753	1,621,707	1,781,415
Rental income	421,470	388,418	1,680,513	1,556,974
Other income including investment income	62,960	65,011	201,467	301,993
Other income including investment income	-	-	375,938	375,938
Gain on disposal of subsidiary companies	-	-	-	31,539
Gain on disposal of property, plant and equipment	-	-	15,000	-
Foreign exchange gain	747	482	1,597	5,816
Fair value gain on FVTPL financial assets	-	-	-	291,342

B12 Realised and unrealised profit/(loss)

Total retained profits of the Group comprised the following:

	31.12.2019	31.12.2018
	RM	RM
Realised	62,202,111	69,506,792
Unrealised	(276,749)	(784,199)
	61,925,362	68,722,594
Add consolidation adjustments	(7,925,889)	(6,600,307)
Total Group retained profits as per consolidated accounts	53,999,473	62,122,287

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 28 Feb 2020.