



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 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2013

	Individual Quarter		Cumulative Quarter	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM	RM	RM	RM
Revenue	10,396,294	9,975,310	33,720,496	32,232,611
Cost of sales	(7,566,539)	(7,079,889)	(22,530,297)	(22,239,362)
Gross profit	2,829,755	2,895,421	11,190,199	9,993,249
Other operating income	505,629	101,834	811,069	1,921,169
Administrative and operating expenses	(2,483,266)	(2,492,306)	(7,964,669)	(7,817,160)
Profit from operations	852,118	504,949	4,036,599	4,097,258
Finance costs	(73,757)	(90,547)	(231,732)	(283,123)
Interest income	282,796	227,119	816,115	672,532
Share of result of associates	115,710	172,413	287,201	355,403
Profit before tax	1,176,867	813,934	4,908,183	4,842,070
Income tax expense	(186,317)	(152,495)	(1,350,352)	(847,420)
Profit for the period	990,550	661,439	3,557,831	3,994,650
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	990,550	661,439	3,557,831	3,994,650
Profit for the period attributable to :				
Equity holders of the parent	990,550	661,439	3,557,831	3,994,650
Non-controlling interests	-	-	-	-
	990,550	661,439	3,557,831	3,994,650
Total comprehensive income for the period attributable to :				
Equity holders of the parent	990,550	661,439	3,557,831	3,994,650
Non-controlling interests	-	-	-	-
	990,550	661,439	3,557,831	3,994,650
Earnings per share attributable to equity holders of the parent :				
Basic (sen)	0.14	0.09	0.50	0.56
Diluted (sen)	N/A	0.09	NA	0.56

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

	(Unaudited) As at 30.09.2013	(Audited) As at 31.12.2012
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	35,762,243	37,309,411
Investment in associated companies	3,819,619	3,532,418
Other investments	150,000	150,000
Software development expenditure	231,988	316,309
Goodwill on consolidation	1,582,719	1,582,719
	41,546,569	42,890,857
Current assets		
Inventories	2,111,795	2,112,762
Trade receivables	22,296,639	21,771,232
Other receivables	3,577,166	3,072,070
Investment securities	12,079,661	11,337,099
Deposits with licensed banks	39,546,091	34,353,501
Cash and bank balances	8,972,775	11,821,662
	88,584,127	84,468,326
Total assets	130,130,696	127,359,183
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
Share option reserve	-	81
Retained earnings	44,275,452	40,717,540
Total equity	119,822,050	116,264,219
Non-current liabilities		
Term loans	3,262,999	4,068,812
Deferred tax liabilities	2,254,506	2,254,506
	5,517,505	6,323,318
Current liabilities		
Trade payables	1,280,475	1,300,251
Other payables	2,175,830	2,282,084
Term loans	1,067,530	1,016,780
Tax Payable	267,306	172,531
	4,791,141	4,771,646
Total liabilities	10,308,646	11,094,964
Total equity and liabilities	130,130,696	127,359,183

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 2013

	Share Capital	Non Distributable Share Premium	Share Option Reserve	Distributable Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM	RM	RM	RM	RM	RM	RM
<u>FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012</u>							
As at 1 January 2012	70,899,010	4,625,269	-	37,752,165	113,276,444	-	113,276,444
Profit for the year	-	-	-	3,994,650	3,994,650	-	3,994,650
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	3,994,650	3,994,650	-	3,994,650
Issuance of new shares pursuant to private placement	14,000	8,400	-	-	22,400	-	22,400
Dividends declared during the period	-	-	-	(1,063,695)	(1,063,695)	-	(1,063,695)
As at 30 September 2012	70,913,010	4,633,669	-	40,683,120	116,229,799	-	116,229,799
<u>FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013</u>							
As at 1 January 2013	70,913,010	4,633,588	81	40,717,540	116,264,219	-	116,264,219
Profit for the year	-	-	-	3,557,831	3,557,831	-	3,557,831
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	3,557,831	3,557,831	-	3,557,831
Issuance of new shares pursuant to ESOS	-	-	-	-	-	-	-
Upon expiry of the share options	-	-	(81)	81	-	-	-
Dividends	-	-	-	-	-	-	-
As at 30 September 2013	70,913,010	4,633,588	-	44,275,452	119,822,050	-	119,822,050

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012.)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 SEPTEMBER 2013

	30.09.2013	30.09.2012
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,908,183	4,842,070
Adjustments for:-		
Amortisation of software development expenditure	84,321	179,182
Depreciation of property, plant and equipment	2,766,717	3,137,440
Fair value (gain)/loss on FVTPL financial assets	(199,077)	(100,308)
Property, plant and equipment written off	3,635	-
Gain on disposal of investment securities	(96,716)	-
Gain on disposal of property, plant and equipment	(29,775)	(1,436,055)
Dividend income	(73,546)	-
Interest income	(816,115)	(672,532)
Interest expenses	231,732	285,612
Investment income from investment securities	(179,774)	(240,590)
Share of results of associated companies	(287,201)	(355,403)
Operating profit before changes in working capital	<u>6,312,384</u>	<u>5,639,416</u>
Inventories	967	100,719
Trade and other receivables	(1,030,503)	1,266,438
Trade and other payables	(126,032)	536,219
Cash generated from operations	<u>5,156,816</u>	<u>7,542,792</u>
Tax paid, net of tax refunded	(1,255,577)	(827,657)
Dividends paid	-	(2,127,180)
Net cash generated from operating activities	<u>3,901,239</u>	<u>4,587,955</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	73,546	450,000
Net changes of fixed deposits pledged	-	(14,350)
Interest from deposits with licensed banks	816,115	672,532
Increase in investment securities	(446,769)	(340,897)
Investment income	179,774	340,897
Proceeds from disposal of property, plant & equipment	31,088	2,809,300
Purchase of property, plant and equipment	(1,224,496)	(1,831,042)
Purchase of software development expenditure	-	(452,084)
Net cash (used in) / generated from investing activities	<u>(570,742)</u>	<u>1,634,356</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares under ESOS	-	22,400
Repayment of term loans	(755,063)	(705,648)
Repayment of hire purchase payables	-	(79,414)
Interest paid	(231,732)	(285,612)
Net cash used in financing activities	<u>(986,795)</u>	<u>(1,048,274)</u>
Net change in cash and cash equivalents	2,343,702	5,174,037
Cash and cash equivalents at beginning of the financial period	46,109,512	36,634,992
Cash and cash equivalents at end of the financial period*	<u>48,453,214</u>	<u>41,809,029</u>
*Cash and cash equivalents at end of the financial period comprise the following:-		
Cash and bank balances	8,972,775	8,902,598
Deposits with licensed banks (Note)	39,480,439	32,906,431
	<u>48,453,214</u>	<u>41,809,029</u>
Note :		
The security deposit of RM65,652 which has been pledged to the bank in respect of the banking facilities granted to the group is excluded from the deposits with licensed banks.		
(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2012.)		

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 Listing Requirements of the Bursa Malaysia Securities Berhad and *MFRS134 : Interim Financial Reporting* in Malaysia and with *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 audited financial statements of the Group as at and for the financial year ended 31 December 2012. The audited financial statements of the Group were prepared in accordance with the provisions of the Companies Act 1965, Malaysia Financial Reporting Standards ("MFRS"), and International Financial Reporting Standards ("IFRS").

The Group's audited financial statements as at and for the financial year ended 31 December 2012 was the Group's first financial statements prepared in accordance with MFRS and MRFS 1, First-time Adoption of Malaysia Financial Reporting Standards has been applied.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2013 did not have any significant impact on the condensed consolidated interim financial statements upon their initial application :

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits
MFRS 127 Separate Financial Statements
MFRS 128 Investment in Associates and Joint Ventures
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 cycle)
Amendments to MFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11 Joint Arrangements: Transition Guidance
Amendments to MFRS 12 Disclosure of Interest in Other Entities: Transition Guidance
Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvement 2009-2011 Cycle)
Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

The Group did not early adopt the following standards that have been issued by the Malaysian Accounting Standards Board as these standards are effective for financial period beginning on or after 1 January 2014:

Amendments to MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2014)
MFRS 9 Financial Instruments (effective from 1 January 2015)

A2 Auditors' Report on preceding annual financial statements

The auditors' report on the financial statements for year ended 31 December 2012 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 during the quarter and financial period under review.

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.

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PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 : INTERIM FINANCIAL REPORTING

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.

A7 Dividend paid

No dividend was paid during the quarter and financial period ended 30 September 2013.

A8 Segment information

Segment information is presented in respect of the Group's business segment for the financial period ended 30 September 2013.

Analysis by activities	Data and Document Processing	Software Development	Forms Printing	Others	Elimination	Total
	RM	RM	RM	RM	RM	RM
Operating Revenue						
External sales	32,843,981	372,093	430,876	73,546	-	33,720,496
Inter-segment sales		1,543,799	2,370,060	-	(3,913,859)	-
Total operating revenue	32,843,981	1,915,892	2,800,936	73,546	(3,913,859)	33,720,496
Result						
Profit/(Loss) from operations	4,085,039	(227,131)	485,854	(307,163)	-	4,036,599
Finance costs	(207,346)	(24,386)	-	-	-	(231,732)
Interest income	272,272	12,229	30,751	500,863	-	816,115
Share of result of associates	-			287,201	-	287,201
Profit before taxation	4,149,965	(239,288)	516,605	480,901	-	4,908,183
Income tax expense						(1,350,352)
Profit for the period						3,557,831
Other comprehensive income						-
Total comprehensive income for the period						3,557,831

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 except as follows :

The Group had on 23 May 2013 acquired the entire equity interest in Data Framework Sdn Bhd ("DFSB") comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2.00 only. DFSB is a dormant company and its authorised share capital is RM400,000 comprising of 400,000 ordinary shares of RM1.00 each. The intended principal activities of DFSB are property investment and provision of document archiving and related services.

Data Framework Sdn. Bhd. had changed its name to Efficient Storage Solutions Sdn. Bhd. on 27 June 2013.

A11 Changes in contingent liabilities and contingent assets

There were no changes in the contingent liabilities and contingent assets of the Group since the last annual balance sheet date as at 31 December 2012.

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PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 : INTERIM FINANCIAL REPORTING

A12 Capital commitments

The were no capital commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 30 September 2013 except as follows :

On 25 January 2013, one of the subsidiary company of the Group had entered into a sale and purchase agreement with HIG Livingston Sdn. Bhd. ("HIG") for the acquisition of a property for a total cash consideration of RM 904,000.

During the financial period under review, 20% of progress payment amounting to RM180,800 was paid to HIG.

A13 Significant related party transactions

Related Transacting Parties	Related Parties and Relationship
Regalia Records Management Sdn Bhd ("RRM")	An associated company

The related party transactions of the Group for the quarter and financial period ended 30 September 2013 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	4,789	10,594	24,406	15,066
Renting of vault room for security file storage and related services to RRM	102,060	102,000	306,180	306,000
Total	106,849	112,594	330,586	321,066

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 Review of performance

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

Group revenue for the financial period ended 30 September 2013 increased by 5% to RM33.7 million from preceding year corresponding period of RM32.2 million, which was mainly due to the increase of revenue from the services rendered for data and document processing.

Group profit after tax for the financial period ended 30 September 2013 decreased by 11% to RM3.6 million from preceding year corresponding period of RM4.0million. The decrease in Group profit was mainly due to a RM1.4 million capital gain arising from the disposal of leasehold land and buildings in preceding year corresponding period. The Group operation performance had improved in tandem with the increase of revenue.

	Cumulative Quarter		Variance	
	30.09.2013	30.09.2012	RM'000	%
	RM'000	RM'000		
Revenue	33,720	32,233	1,487	5%
Profit after tax for the financial period	3,558	3,995	(437)	-11%

(b) Current Quarter Vs Preceding Year Corresponding Quarter

Group revenue for the quarter ended 30 September 2013 increased by 4% to RM10.4 million from preceding year corresponding quarter of RM10.0 million, which was mainly due to the increase of revenue from the services rendered for data and document processing.

Group profit after tax for the quarter ended 30 September 2013 increased by 50% to RM1.0 million from preceding year corresponding quarter of RM0.7million. The increase in Group profit was in tandem with the increase of revenue.

	Individual Quarter		Variance	
	30.09.2013	30.09.2012	RM'000	%
	RM'000	RM'000		
Revenue	10,396	9,975	421	4%
Profit after tax for the quarter	991	661	330	50%

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

The Group recorded RM1.2 million profit before tax for the quarter, a decrease of 39% as compared to the preceding quarter of RM1.9 million. The decrease in profit before tax was mainly due to lower revenue from the services rendered for data and document processing in the current quarter.

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.09.2013	30.06.2013	RM'000	%
	RM'000	RM'000		
Profit before taxation	1,177	1,939	(762)	-39%

B3 Prospects

The implementation of minimum wage rate since beginning of the year has a direct impact on our production cost, the management has initiated some productivity incentives and other cost optimization measures to cushion the impact.

The management foresees that the performance of the group should improve with more cost optimization efforts. We expect a slight increase in revenue with some one-off projects from customers in the coming quarter.

B4 Profit forecast or profit guarantee

This note is not applicable.

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

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM	RM	RM	RM
Current tax	186,317	152,495	1,350,352	847,420
Deferred tax	-	-	-	-
	186,317	152,495	1,350,352	847,420

The effective tax rate for the financial period ended 30 September 2013 is higher than the statutory tax rate of 25%. This is mainly due to the building cost of a subsidiary company, Efficient Mailcom Sdn Bhd does not qualify for industrial building allowance. However, the impact is set off by exempt income granted to another subsidiary company, Efficient Softech Sdn Bhd, a Multimedia Super Corridor status company.

B6 Corporate proposals

There were no corporate proposals announced but not completed during the quarter and financial period under review.

B7 Borrowings and debt securities

The Group's total borrowings, all of which were secured and were denominated in Ringgit Malaysia as at 30 September 2013, are as follows:

	Short term	Long term	Total
	RM	RM	RM
Secured bank borrowings	1,067,530	3,262,999	4,330,529
Total	1,067,530	3,262,999	4,330,529

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 was no dividend declared during the quarter and financial period ended 30 September 2013.

During the financial period ended 30 September 2012, the Board of Directors had declared a first interim tax exempt dividend of 1.5% per ordinary share in respect of the financial year ending 31 December 2012. The dividend was paid on 10 July 2012.

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

B10 Earnings per share

	Individual Quarter		Cumulative Quarter	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM	RM	RM	RM
Basic Earnings Per Share				
Profit attributable to ordinary equity holders of the parent	990,550	661,439	3,557,831	3,994,650
Weighted average number of ordinary shares in issue	709,130,100	708,890,100	709,130,100	708,870,100
Basic EPS (sen)	0.14	0.09	0.50	0.56
Diluted Earnings Per Share				
Profit attributable to ordinary equity holders of the parent		661,439		3,994,650
Weighted average number of ordinary shares in issue		708,890,100		708,870,100
Effect of dilution of share options		-		-
Adjusted weighted average number of ordinary shares in issue and issuable		708,890,100		708,870,100
Diluted EPS (sen)	NA	0.09	NA	0.56

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

For the purpose of calculating comparative diluted earnings per share, the net profit for the period and the weighted average number of ordinary shares in issue during the period had been adjusted for the dilutive effects of all potential ordinary shares.

The Group's shares option granted on 15 March 2011 under Executives' Share Option Scheme had expired on 14 September 2013. The potential dilutive effect of the outstanding share options are no longer applicable with effect from the expiry date.

B11 Profit for the period

	Individual Quarter		Cumulative Quarter	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	73,757	90,547	231,732	283,123
Depreciation of property, plant and equipment	850,873	908,407	2,766,717	3,010,510
Amortisation of software development expenditure	21,217	69,444	84,321	179,181
Foreign exchange loss	-	4,936	-	10,443
and after crediting :				
Interest income	282,797	227,119	816,115	672,532
Other income including investment income	186,981	128,587	559,499	473,214
Gain on disposal of property, plant and equipment	24,343	4,866	29,776	1,356,685
Gain on disposal of quoted and unquoted investments	96,716	-	96,716	-
Foreign exchange gain	-	-	482	-
Fair value gain on FVTPL financial assets	169,808	218,899	199,077	101,615

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

B12 Realised and unrealised profit/ losses

Total retained profits of the Group comprised the following:-

	30.09.2013	31.12.2012
	RM	RM
Realised	45,308,061	42,065,977
Unrealised	(2,054,947)	(2,083,574)
	<u>43,253,114</u>	<u>39,982,403</u>
Add consolidation adjustments	1,022,338	735,137
Total Group retained profits as per consolidated accounts	<u><u>44,275,452</u></u>	<u><u>40,717,540</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 28 November 2013.