



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 2014

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2014

	Individual Quarter		Cumulative Quarter	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM	RM	RM	RM
Revenue	12,421,111	11,214,858	24,469,713	23,324,202
Cost of sales	(7,178,970)	(6,819,755)	(14,818,156)	(14,963,758)
Gross profit	5,242,141	4,395,103	9,651,557	8,360,444
Other operating income	293,602	46,869	547,315	305,440
Administrative and operating expenses	(3,303,094)	(2,741,497)	(6,135,151)	(5,481,403)
Profit from operations	2,232,649	1,700,475	4,063,721	3,184,481
Finance costs	(60,093)	(77,481)	(123,439)	(157,975)
Interest income	270,990	262,158	564,428	533,319
Share of result of associates	148,763	53,641	404,760	171,491
Profit before tax	2,592,309	1,938,793	4,909,470	3,731,316
Income tax expense	(1,127,267)	(681,673)	(1,864,342)	(1,164,035)
Profit for the period	1,465,042	1,257,120	3,045,128	2,567,281
Other comprehensive income	(14,838)	-	(8,194)	-
Total comprehensive income for the period	1,450,204	1,257,120	3,036,934	2,567,281
Profit for the period attributable to :				
Equity holders of the parent	1,465,042	1,257,120	3,045,128	2,567,281
Non-controlling interests	-	-	-	-
	1,465,042	1,257,120	3,045,128	2,567,281
Total comprehensive income for the period attributable to :				
Equity holders of the parent	1,450,204	1,257,120	3,036,934	2,567,281
Non-controlling interests	-	-	-	-
	1,450,204	1,257,120	3,036,934	2,567,281
Earnings per share attributable to equity holders of the parent :				
Basic (sen)	0.21	0.18	0.43	0.36

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	(Unaudited) As at 30.06.2014	(Audited) As at 31.12.2013
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	35,015,482	35,445,611
Investment in associated companies	4,413,924	4,009,163
Other investments	150,000	150,000
Software development expenditure	174,798	210,772
Goodwill on consolidation	1,585,252	1,585,252
	41,339,456	41,400,798
Current assets		
Inventories	1,925,572	1,737,517
Trade receivables	21,262,135	20,493,830
Other receivables	5,224,189	3,868,698
Tax recoverable	28,006	8,031
Investment securities	16,652,199	12,111,428
Deposits with licensed banks	40,362,953	42,970,100
Cash and bank balances	7,692,474	9,115,297
	93,147,528	90,304,901
Total assets	134,486,984	131,705,699
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
Available-for-sale reserve	115,183	123,377
Retained earnings	47,204,383	45,577,515
Total equity	122,866,164	121,247,490
Non-current liabilities		
Term loans	2,415,839	2,986,437
Deferred tax liabilities	2,007,361	2,007,361
	4,423,200	4,993,798
Current liabilities		
Trade payables	2,408,822	1,953,442
Other payables	2,221,552	2,069,958
Term loans	1,122,268	1,085,259
Tax Payable	1,444,978	355,752
	7,197,620	5,464,411
Total liabilities	11,620,820	10,458,209
Total equity and liabilities	134,486,984	131,705,699

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2014

	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 PERIOD ENDED 30 JUNE 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	-	-	-	-	2,567,281	2,567,281	-	2,567,281
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	2,567,281	2,567,281	-	2,567,281
Issuance of new shares pursuant to private placement	-	-	-	-	-	-	-	-
Dividends declared during the period	-	-	-	-	-	-	-	-
As at 30 June 2013	70,913,010	4,633,588	81	-	43,284,821	118,831,500	-	118,831,500
<u>FINANCIAL PERIOD ENDED 30 JUNE 2014</u>								
As at 1 January 2014	70,913,010	4,633,588	-	123,377	45,577,515	121,247,490	-	121,247,490
Profit for the year	-	-	-	-	3,045,128	3,045,128	-	3,045,128
Other comprehensive income	-	-	-	(8,194)	-	(8,194)	-	(8,194)
Total comprehensive income for the period	-	-	-	(8,194)	3,045,128	3,036,934	-	3,036,934
Dividends	-	-	-	-	(1,418,260)	(1,418,260)	-	(1,418,260)
As at 30 June 2014	70,913,010	4,633,588	-	115,183	47,204,383	122,866,164	-	122,866,164
(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013.)								

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 JUNE 2014

	30.06.2014	30.06.2013
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,909,470	3,731,316
Adjustments for:-		
Amortisation of software development expenditure	35,973	63,104
Depreciation of property, plant and equipment	1,546,258	1,915,844
Fair value loss/(gain) on FVTPL financial assets	600,420	29,269
Property, plant and equipment written off	479,920	3,635
Gain on disposal of property, plant and equipment	(3,279)	(5,433)
Dividend income	(37,401)	(42,788)
Interest income	(564,428)	(533,318)
Interest expenses	123,439	157,975
Investment income from investment securities	(113,596)	(125,610)
Share of results of associated companies	(404,760)	(171,491)
Operating profit before changes in working capital	<u>6,572,016</u>	<u>5,022,503</u>
Inventories	(188,055)	(258,071)
Trade and other receivables	(2,123,796)	(2,418,122)
Trade and other payables	606,973	157,393
Cash generated from operations	<u>4,867,138</u>	<u>2,503,703</u>
Tax paid, net of tax refunded	(795,090)	(772,537)
Dividends paid	(1,418,260)	-
Net cash generated from operating activities	<u>2,653,788</u>	<u>1,731,166</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	37,401	42,788
Net changes of fixed deposits pledged	-	-
Interest from deposits with licensed banks	564,428	533,318
Increase in investment securities	(5,149,385)	(167,487)
Investment income	113,596	125,610
Proceeds from disposal of property, plant & equipment	70,500	6,745
Proceeds from disposal of investment securities	-	-
Purchase of property, plant and equipment	(1,663,270)	(1,165,990)
Net cash (used in) / generated from investing activities	<u>(6,026,730)</u>	<u>(625,016)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(533,589)	(499,630)
Interest paid	(123,439)	(157,975)
Net cash used in financing activities	<u>(657,028)</u>	<u>(657,605)</u>
Net change in cash and cash equivalents	(4,029,970)	448,545
Cash and cash equivalents at beginning of the financial year	52,017,627	46,109,512
Cash and cash equivalents at end of the financial year*	<u>47,987,657</u>	<u>46,558,057</u>
*Cash and cash equivalents at end of the financial period comprise the following:-		
Cash and bank balances	7,692,474	9,110,277
Deposits with licensed banks (Note)	40,295,183	37,447,780
	<u>47,987,657</u>	<u>46,558,057</u>
Note :		
The security deposit of RM67,770 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 2013.)		

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, *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 audited financial statements of the Group as at and for the financial year ended 31 December 2013. 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").

A2 Auditors' Report on preceding annual financial statements

The auditors' report on the financial statements for year ended 31 December 2013 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.

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

Dividend amounting to RM1,418,260 being interim tax exempt dividend of 2.0% per ordinary share of RM0.10 each for the financial year ended 31 December 2013 was paid on 28 March 2014.

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

A8 Segment information

Segment information is presented in respect of the Group's business segment for the financial period ended 30 June 2014.

Analysis by activities	Data and Document Processing	Software Development	Forms Printing	Others	Elimination	Total
	RM	RM	RM	RM	RM	RM
Operating Revenue						
External sales	23,976,258	247,404	208,650	37,401	-	24,469,713
Inter-segment sales		1,016,410	1,404,545	17,000,000	(19,420,955)	-
Total operating revenue	23,976,258	1,263,814	1,613,195	17,037,401	(19,420,955)	24,469,713
Result						
Profit/(Loss) from operations	5,108,064	(246,375)	305,297	(1,103,265)	-	4,063,721
Finance costs	(110,564)	(12,875)	-	-	-	(123,439)
Interest income	200,335	2,513	26,771	334,809	-	564,428
Share of result of associates	-			404,760	-	404,760
Profit before taxation	5,197,835	(256,737)	332,068	(363,696)	-	4,909,470
Income tax expense						(1,864,342)
Profit for the period						3,045,128
Other comprehensive income						(8,194)
Total comprehensive income for the period						3,036,934

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

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 2013.

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 30 June 2014 except as follows :

(a) 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.

20% of progress payment amounting to RM180,800 was paid to HIG as at 30 June 2014.

(b) On 21 February 2014, one of the subsidiary company of the Group had entered into a Sale and Purchase Agreement with Lembaga Tabung Haji (the Proprietor) and THP Enstek Development Sdn Bhd ("THP") (the Vendor) to purchase 21,964 square metre of freehold lands all held at Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan for a total consideration of RM5,670,467.

10% deposit amounting to RM567,047 was paid to THP as at 30 June 2014.

(b) On 8 July 2014, one of the subsidiary company of the Group had entered into a Sale and Purchase Agreement with Lembaga Tabung Haji (the Proprietor) and THP Enstek Development Sdn Bhd ("THP") (the Vendor) to purchase 23,301 square metre of freehold lands all held at Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan for a total consideration of RM6,521,050.

10% deposit amounting to RM652,105 was paid to THP as at 30 June 2014.

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 June 2014 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	2,670	6,922	5,280	19,617
Renting of vault room for security file storage and related services to RRM	102,060	102,060	204,120	204,120
Renting of warehouse for file and carton storage and related services to RRM	105,000	-	210,000	-
Total	209,730	108,982	419,400	223,737

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

The Group revenue for the financial period ended 30 June 2014 increased by 5% to RM24.5 million as compared to preceding year corresponding period of RM23.3 million, which was mainly due to the increase of revenue from the services rendered for data and document processing.

The Group profit after tax for the financial period ended 30 June 2014 increased by 19% to RM3.0 million from preceding year corresponding period of RM2.6 million. The increase in profit after tax was in tandem with the increase in revenue. The improvement in group profit after tax was also contributed by continuous cost optimization effort and higher share of results in the associated company. Despite there were fair value losses arising from investment in quoted shares of RM0.6 million and building cost written off of RM0.5 million.

	Cumulative Quarter		Variance	
	30.06.2014	30.06.2013	RM'000	%
Revenue	24,470	23,324	1,146	5%
Profit after tax for the financial period	3,045	2,567	478	19%

(b) Current Quarter Vs Preceding Year Corresponding Quarter

Group revenue for the quarter ended 30 June 2014 increased by 11% to RM12.4 million from preceding year corresponding quarter of RM11.2 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 quarter ended 30 June 2014 increased by 17% to RM1.5 million from preceding year corresponding quarter of RM1.3 million. The increase in Group profit after tax was due to the same reason stated in (a).

	Individual Quarter		Variance	
	30.06.2014	30.06.2013	RM'000	%
Revenue	12,421	11,215	1,206	11%
Profit after tax for the quarter	1,465	1,257	208	17%

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

The Group recorded RM2.6 million profit before tax for the quarter, an increase of 12% as compared to the preceding quarter of RM2.3 million. The increase in the profit before tax was attributed to the increase of revenue and continuous cost optimization effort. Despite there was a building cost written off of RM0.5 million during the quarter.

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.06.2014	31.03.2014	RM'000	%
Profit before taxation	2,592	2,317	275	12%

B3 Prospects

The expected reduction in print volume with continued pricing pressure has inevitably resulted in margin reduction. Nevertheless, with our continued effort in costs reduction and improved productivity, we expect further consolidation in our performance in the coming quarters.

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	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM	RM	RM	RM
Current tax	737,075	482,362	1,864,342	1,164,035
Deferred tax	-	-	-	-
	737,075	482,362	1,864,342	1,164,035

The effective tax rate for the financial period ended 30 June 2014 is higher than the statutory tax rate of 25%. The higher effective tax rate was due to the building cost of a subsidiary company, Efficient MailCom Sdn Bhd does not qualify for industrial building allowance as well as the negative fair value arising from investment in quoted shares.

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 June 2014, are as follows:

	Short term	Long term	Total
	RM	RM	RM
Secured bank borrowings	1,122,268	2,415,839	3,538,107
Total	1,122,268	2,415,839	3,538,107

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 declared during the quarter and financial period ended 30 June 2014.

B10 Earnings per share

	Individual Quarter		Cumulative Quarter	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM	RM	RM	RM
Basic Earnings Per Share				
Profit attributable to ordinary equity holders of the parent	1,465,042	1,257,120	3,045,128	2,567,281
Weighted average number of ordinary shares in issue	709,130,100	709,130,100	709,130,100	709,130,100
Basic EPS (sen)	0.21	0.18	0.43	0.36

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.

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

B11 Profit for the period

	Individual Quarter		Cumulative Quarter	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	60,094	77,481	123,439	157,975
Depreciation of property, plant and equipment	776,994	940,095	1,546,258	1,915,844
Amortisation of software development expenditure	17,986	21,217	35,973	63,104
Foreign exchange loss	229	-	1,129	-
Fair value loss on FVTPL financial assets	135,256	119,876	600,420	29,269
Property, plant and equipment written off	479,920	-	479,920	-
and after crediting :				
Interest income	270,991	262,157	564,428	533,318
Other income including investment income	275,103	162,356	565,117	372,518
Gain on disposal of property, plant and equipment	18,500	3,866	3,279	5,433
Foreign exchange gain	-	1,844	-	482

B12 Realised and unrealised profit/ losses

Total retained profits of the Group comprised the following:-

	30.06.2014	31.12.2013
	RM	RM
Realised	48,191,863	46,099,443
Unrealised	(2,606,656)	(1,736,344)
	<u>45,585,207</u>	<u>44,363,099</u>
Add consolidation adjustments	1,619,176	1,214,416
Total Group retained profits as per consolidated accounts	<u><u>47,204,383</u></u>	<u><u>45,577,515</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 August 2014.