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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 2015

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2015

	Individual Quarter		Cumulative Quarter	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
Revenue	11,477,400	12,421,111	25,780,773	24,469,713
Cost of sales	(6,697,392)	(7,178,970)	(15,205,680)	(14,818,156)
Gross profit	4,780,008	5,242,141	10,575,093	9,651,557
Other operating income	385,230	293,602	1,269,344	547,315
Administrative and operating expenses	(2,768,001)	(3,303,094)	(5,906,943)	(6,135,151)
Profit from operations	2,397,237	2,232,649	5,937,494	4,063,721
Finance costs	(43,363)	(60,093)	(90,668)	(123,439)
Interest income	107,833	270,990	289,298	564,428
Share of result of associates	155,672	148,763	148,311	404,760
Profit before tax	2,617,379	2,592,309	6,284,435	4,909,470
Income tax expense	(762,121)	(1,127,267)	(1,813,889)	(1,864,342)
Profit for the period	1,855,258	1,465,042	4,470,546	3,045,128
Other comprehensive income	107,774	(14,838)	(19,742)	(8,194)
Total comprehensive income for the period	1,963,032	1,450,204	4,450,804	3,036,934
Profit for the period attributable to :				
Equity holders of the parent	1,855,258	1,465,042	4,470,546	3,045,128
Non-controlling interests	-	-	-	-
	1,855,258	1,465,042	4,470,546	3,045,128
Total comprehensive income for the period attributable to :				
Equity holders of the parent	1,963,032	1,450,204	4,450,804	3,036,934
Non-controlling interests	-	-	-	-
	1,963,032	1,450,204	4,450,804	3,036,934
Earnings per share attributable to equity holders of the parent :				
Basic (sen)	0.26	0.21	0.63	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 2014.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	(Unaudited) As at 30.06.2015	(Audited) As at 31.12.2014
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	38,787,352	35,404,558
Investment properties	28,101,372	12,727,456
Investment in associated companies	4,826,278	4,677,966
Other investments	150,000	150,000
Goodwill on consolidation	1,582,719	1,582,719
	73,447,721	54,542,699
Current assets		
Inventories	1,612,315	1,763,124
Trade receivables	19,876,924	15,933,476
Other receivables	8,057,414	10,086,706
Tax recoverable	198,138	266,328
Investment securities	19,101,940	18,513,442
Deposits with licensed banks	10,172,768	24,327,990
Cash and bank balances	8,991,987	9,539,712
	68,011,486	80,430,778
Total assets	141,459,207	134,973,477
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	225,733	245,475
Retained earnings	54,240,146	49,769,600
Total equity	130,012,477	125,561,673
Non-current liabilities		
Term loans	1,222,082	1,830,860
Deferred tax liabilities	1,646,347	1,684,347
	2,868,429	3,515,207
Current liabilities		
Trade payables	2,077,946	1,891,590
Other payables	4,194,298	2,497,818
Term loans	1,197,538	1,157,469
Tax Payable	1,108,519	349,720
	8,578,301	5,896,597
Total liabilities	11,446,730	9,411,804
Total equity and liabilities	141,459,207	134,973,477

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2015

	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 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
<u>FINANCIAL PERIOD ENDED 30 JUNE 2015</u>								
As at 1 January 2015	70,913,010	4,633,588	-	245,475	49,769,600	125,561,673	-	125,561,673
Profit for the year	-	-	-	-	4,470,546	4,470,546	-	4,470,546
Other comprehensive income	-	-	-	(19,742)	-	(19,742)	-	(19,742)
Total comprehensive income for the period	-	-	-	(19,742)	4,470,546	4,450,804	-	4,450,804
Dividends	-	-	-	-	-	-	-	-
As at 30 June 2015	70,913,010	4,633,588	-	225,733	54,240,146	130,012,477	-	130,012,477
(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014.)								

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 JUNE 2015

	30.06.2015	30.06.2014
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,284,435	4,909,470
Adjustments for:-		
Amortisation of software development expenditure	-	35,973
Depreciation of property, plant and equipment	1,521,400	1,546,258
Fair value loss/(gain) on FVTPL financial assets	(503,238)	600,420
Property, plant and equipment written off	21,326	479,920
Gain on disposal of investment securities	(207,000)	-
Loss on disposal of property, plant and equipment	8,689	(3,279)
Dividend income	(40,915)	(37,401)
Interest income	(289,298)	(564,428)
Interest expenses	90,668	123,439
Investment income from investment securities	(58,892)	(113,596)
Share of results of associated companies	(148,311)	(404,760)
Operating profit before changes in working capital	<u>6,678,864</u>	<u>6,572,016</u>
Inventories	150,809	(188,055)
Trade and other receivables	(1,914,156)	(2,123,796)
Trade and other payables	1,029,370	606,973
Cash generated from operations	<u>5,944,887</u>	<u>4,867,138</u>
Tax paid, net of tax refunded	(1,024,899)	(795,090)
Dividends paid	-	(1,418,260)
Net cash generated from operating activities	<u>4,919,988</u>	<u>2,653,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	40,915	37,401
Interest from deposits with licensed banks	289,298	564,428
Increase in investment securities	(5,105,002)	(5,149,385)
Investment income	58,892	113,596
Proceeds from disposal of investment securities	5,207,000	-
Proceeds from disposal of property, plant & equipment	407,869	70,500
Purchase of property, plant and equipment	(5,342,078)	(1,663,270)
Purchase of investment properties	(14,520,452)	-
Net cash (used in) / generated from investing activities	<u>(18,963,558)</u>	<u>(6,026,730)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(568,709)	(533,589)
Interest paid	(90,668)	(123,439)
Net cash used in financing activities	<u>(659,377)</u>	<u>(657,028)</u>
Net change in cash and cash equivalents	(14,702,947)	(4,029,970)
Cash and cash equivalents at beginning of the financial year	33,797,789	52,017,627
Cash and cash equivalents at end of the financial year*	<u><u>19,094,842</u></u>	<u><u>47,987,657</u></u>
*Cash and cash equivalents at end of the financial period comprise the following:-		
Cash and bank balances	8,991,987	7,692,474
Deposits with licensed banks (Note)	10,102,855	40,295,183
	<u><u>19,094,842</u></u>	<u><u>47,987,657</u></u>
Note :		
The security deposit of RM69,913 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 2014.)		

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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 2014. 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 2014 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

There were no dividend paid during the quarter and financial period ended 30 June 2015.

A8 Segment information

Segment information is presented in respect of the Group's business segment for the financial period ended 30 June 2015.

Analysis by activities	Data and Document Processing	Software Development	Forms Printing	Others	Elimination	Total
	RM	RM	RM	RM	RM	RM
Operating Revenue						
External sales	25,703,059	12,208	24,590	40,916	-	25,780,773
Inter-segment sales		1,102,739	1,027,414	-	(2,130,153)	-
Total operating revenue	25,703,059	1,114,947	1,052,004	40,916	(2,130,153)	25,780,773
Result						
Profit/(Loss) from operations	5,785,006	468,911	116,823	(433,246)	-	5,937,494
Finance costs	(81,665)	(9,003)	-	-	-	(90,668)
Interest income	106,842	10,470	14,984	157,002	-	289,298
Share of result of associates				148,311	-	148,311
Profit before taxation	5,810,183	470,378	131,807	(127,933)	-	6,284,435
Income tax expense						(1,813,889)
Profit for the period						4,470,546
Other comprehensive income						(19,742)
Total comprehensive income for the period						4,450,804

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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 except as follows :

(a) The Group had on 3 March 2015 acquired the entire equity interest in Digital Junction Sdn Bhd ("DJSB") comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2.00 only. DJSB had subsequent changed the name to Efficient GlobalIT Sdn Bhd ("EGSB") on 3 June 2015.

EGSB is a dormant company and its authorised share capital is RM400,000 comprising of 400,000 ordinary shares of RM1.00 each, of which 2 shares have been issued and fully paid-up.

The intended principal activities of EGSB are IT system integration, shared and support, and any other IT related services.

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 2014.

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 June 2015 except as follows :

Approved and contracted for :	RM'000
Property, plant and equipment	181
Investment Properties	10,743
	<u>10,924</u>

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 2015 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	2,875	2,670	4,523	5,280
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	105,000	210,000	210,000
Total	209,935	209,730	418,643	419,400

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

B1 Review of performance

Current Year To Date Vs Preceding Year To Date

The Group revenue for the financial period ended 30 June 2015 increased by 5% to RM25.8 million as compared to preceding year corresponding period of RM24.5 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 2015 increased by 47% to RM4.5 million from preceding year corresponding period of RM3.0 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 higher fair value from investment of shares.

	Cumulative Quarter		Variance	
	30.06.2015	30.06.2014	RM'000	%
Revenue	RM'000 25,781	RM'000 24,470	1,311	5%
Profit after tax for the financial period	4,471	3,045	1,426	47%

(b) Current Quarter Vs Preceding Year Corresponding Quarter

Group revenue for the quarter ended 30 June 2015 decreased by 8% to RM11.5 million from preceding year corresponding quarter of RM12.4 million.

Group profit after tax for the quarter ended 30 June 2015 increased by 27% to RM1.9 million from preceding year corresponding quarter of RM1.5 million. The increase in Group profit after tax, despite of lower revenue during the quarter, was due to higher fair value from investment in shares. The increase in Group profit after tax was also attributed to property, plant and equipment written off (RM0.5 million) in preceding year corresponding quarter.

	Individual Quarter		Variance	
	30.06.2015	30.06.2014	RM'000	%
Revenue	RM'000 11,477	RM'000 12,421	(944)	-8%
Profit after tax for the quarter	1,855	1,465	390	27%

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, a decrease of 29% as compared to the preceding quarter of RM3.7 million. The decrease in the profit before tax was attributed to the decrease of revenue from the services rendered for data and document processing.

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.06.2015	31.03.2015	RM'000	%
Profit before taxation	RM'000 2,617	RM'000 3,667	(1,050)	-29%

B3 Prospects

We expect the improved performance will continue for the year.

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	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
Current tax	800,121	1,127,267	1,851,889	1,864,342
Deferred tax	(38,000)	-	(38,000)	-
	762,121	1,127,267	1,813,889	1,864,342

The effective tax rate for the financial period ended 30 June 2015 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.

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 2015, are as follows:

	Short term	Long term	Total
	RM	RM	RM
Secured bank borrowings	1,197,538	1,222,082	2,419,620
Total	1,197,538	1,222,082	2,419,620

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 2015.

B10 Earnings per share

	Individual Quarter		Cumulative Quarter	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
Basic Earnings Per Share				
Profit attributable to ordinary equity holders of the parent	1,855,258	1,465,042	4,470,546	3,045,128
Weighted average number of ordinary shares in issue	709,130,100	709,130,100	709,130,100	709,130,100
Basic EPS (sen)	0.26	0.21	0.63	0.43

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/year.

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

B11 Profit for the year

	Individual Quarter		Cumulative Quarter	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	43,363	60,093	90,668	123,439
Depreciation of property, plant and equipment	808,913	776,994	1,521,400	1,546,258
Amortisation of software development expenditure	-	17,987	-	35,973
Loss on disposal of property, plant and equipment	(4,215)	(18,500)	8,689	(3,279)
Foreign exchange loss	19	229	725	1,129
Property, plant and equipment written off	-	479,920	21,326	479,920
and after crediting :				
Interest income	107,833	270,990	289,298	564,428
Other income including investment income	235,854	275,102	513,927	565,117
Gain on disposal of quoted and unquoted investments	-	-	207,000	-
Foreign exchange gain	6,052	-	24,378	-
Fair value gain on FVTPL financial assets	134,109	(135,256)	503,238	(600,420)

B12 Realised and unrealised profit/ losses

Total retained profits of the Group comprised the following:-

	30.06.2015	31.12.2014
	RM	RM
Realised	53,311,974	49,177,239
Unrealised	(1,100,825)	(1,288,325)
	52,211,149	47,888,914
Add consolidation adjustments	2,028,997	1,880,686
Total Group retained profits as per consolidated accounts	54,240,146	49,769,600

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 August 2015.