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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 THIRD QUARTER ENDED

30 SEPTEMBER 2015

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

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

	Individual Quarter		Cumulative Quarter	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM	RM	RM	RM
Revenue	9,144,812	10,565,893	34,925,585	35,035,606
Cost of sales	(6,223,578)	(7,076,553)	(21,429,258)	(21,894,709)
Gross profit	2,921,234	3,489,340	13,496,327	13,140,897
Other operating income	268,951	447,943	1,538,295	995,258
Administrative and operating expenses	(2,621,196)	(2,424,417)	(8,528,139)	(8,559,568)
Profit from operations	568,989	1,512,866	6,506,483	5,576,587
Finance costs	(27,859)	(57,821)	(118,527)	(181,260)
Interest income	81,205	261,561	370,503	825,989
Share of result of associates	174,134	119,403	322,445	524,163
Profit before tax	796,469	1,836,009	7,080,904	6,745,479
Income tax expense	(69,337)	(384,408)	(1,883,226)	(2,248,750)
Profit for the period	727,132	1,451,601	5,197,678	4,496,729
Other comprehensive income	(225,733)	81,198	(245,475)	73,004
Total comprehensive income for the period	501,399	1,532,799	4,952,203	4,569,733
Profit for the period attributable to :				
Equity holders of the parent	727,132	1,451,601	5,197,678	4,496,729
Non-controlling interests	-	-	-	-
	727,132	1,451,601	5,197,678	4,496,729
Total comprehensive income for the period attributable to :				
Equity holders of the parent	501,399	1,532,799	4,952,203	4,569,733
Non-controlling interests	-	-	-	-
	501,399	1,532,799	4,952,203	4,569,733
Earnings per share attributable to equity holders of the parent :				
Basic (sen)	0.10	0.20	0.73	0.63

(The condensed consolidated statement of comprehensive income 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 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	(Unaudited) As at 30.09.2015	(Audited) As at 31.12.2014
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	38,290,142	35,404,558
Investment properties	32,057,053	12,727,456
Investment in associated companies	5,000,412	4,677,966
Other investments	9,900,000	150,000
Goodwill on consolidation	1,582,719	1,582,719
	86,830,326	54,542,699
Current assets		
Inventories	1,467,879	1,763,124
Trade receivables	20,249,422	15,933,476
Other receivables	4,615,528	10,086,706
Tax recoverable	226,685	266,328
Investment securities	4,493,024	18,513,442
Deposits with licensed banks	12,024,772	24,327,990
Cash and bank balances	7,975,594	9,539,712
	51,052,904	80,430,778
Total assets	137,883,230	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	-	245,475
Retained earnings	54,967,278	49,769,600
Total equity	130,513,876	125,561,673
Non-current liabilities		
Term loans	909,696	1,830,860
Deferred tax liabilities	1,662,763	1,684,347
	2,572,459	3,515,207
Current liabilities		
Trade payables	1,531,087	1,891,590
Other payables	1,690,393	2,497,818
Term loans	1,218,579	1,157,469
Tax Payable	356,836	349,720
	4,796,895	5,896,597
Total liabilities	7,369,354	9,411,804
Total equity and liabilities	137,883,230	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 SEPTEMBER 2015
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 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	-	-	-	-	4,496,729	4,496,729	-	4,496,729
Other comprehensive income	-	-	-	73,004	-	73,004	-	73,004
Total comprehensive income for the period	-	-	-	73,004	4,496,729	4,569,733	-	4,569,733
Dividends	-	-	-	-	(1,418,260)	(1,418,260)	-	(1,418,260)
As at 30 September 2014	70,913,010	4,633,588	-	196,381	48,655,984	124,398,963	-	124,398,963
<u>FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	5,197,678	5,197,678	-	5,197,678
Other comprehensive income	-	-	-	(245,475)	-	(245,475)	-	(245,475)
Total comprehensive income for the period	-	-	-	(245,475)	5,197,678	4,952,203	-	4,952,203
Dividends	-	-	-	-	-	-	-	-
As at 30 September 2015	70,913,010	4,633,588	-	-	54,967,278	130,513,876	-	130,513,876
(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.)								

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 SEPTEMBER 2015

	30.09.2015	30.09.2014
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,080,904	6,745,479
Adjustments for:-		
Amortisation of software development expenditure	-	63,650
Depreciation of property, plant and equipment	2,361,438	2,260,555
Fair value loss/(gain) on FVTPL financial assets	(126,234)	193,651
Property, plant and equipment written off	33,819	479,920
Gain on disposal of investment securities	(591,506)	(150,000)
Loss on disposal of property, plant and equipment	8,689	(3,279)
Dividend income	(71,427)	(68,003)
Interest income	(370,503)	(825,989)
Interest expenses	118,527	181,260
Investment income from investment securities	(58,892)	(204,479)
Share of results of associated companies	(322,445)	(524,163)
Operating profit before changes in working capital	<u>8,062,370</u>	<u>8,148,602</u>
Inventories	295,245	(225,881)
Trade and other receivables	(3,594,768)	(4,229,294)
Trade and other payables	<u>(1,167,928)</u>	<u>195,634</u>
Cash generated from operations	3,594,919	3,889,061
Tax paid, net of tax refunded	(1,858,052)	(1,622,175)
Dividends paid	-	(1,418,260)
Net cash generated from operating activities	<u>1,736,867</u>	<u>848,626</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	71,427	68,003
Interest from deposits with licensed banks	370,503	825,989
Increase in investment securities	(9,058,892)	(9,650,793)
Increase in other investment	(5,000,000)	-
Investment income	58,892	204,479
Proceeds from disposal of investment securities	23,551,575	70,500
Proceeds from disposal of property, plant & equipment	407,869	1,212,500
Purchase of property, plant and equipment	(5,697,399)	(1,134,909)
Purchase of investment properties	<u>(19,329,597)</u>	<u>(5,883,300)</u>
Net cash (used in) / generated from investing activities	<u>(14,625,622)</u>	<u>(14,287,531)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(860,054)	(805,905)
Interest paid	<u>(118,527)</u>	<u>(181,260)</u>
Net cash used in financing activities	<u>(978,581)</u>	<u>(987,165)</u>
Net change in cash and cash equivalents	(13,867,336)	(14,426,070)
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>19,930,453</u>	<u>37,591,557</u>
*Cash and cash equivalents at end of the financial period comprise the following:-		
Cash and bank balances	7,975,594	5,549,284
Deposits with licensed banks (Note)	11,954,859	32,042,273
	<u>19,930,453</u>	<u>37,591,557</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 September 2015.

A8 Segment information

Segment information is presented in respect of the Group's business segment for the financial period ended 30 September 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	34,812,859	12,208	29,090	71,428	-	34,925,585
Inter-segment sales		1,505,955	1,463,012	-	(2,968,967)	-
Total operating revenue	34,812,859	1,518,163	1,492,102	71,428	(2,968,967)	34,925,585
Result						
Profit/(Loss) from operations	6,792,477	592,143	167,141	(1,045,278)	-	6,506,483
Finance costs	(105,831)	(12,696)	-	-	-	(118,527)
Interest income	141,596	15,280	23,218	190,409	-	370,503
Share of result of associates				322,445	-	322,445
Profit before taxation	6,828,242	594,727	190,359	(532,424)	-	7,080,904
Income tax expense						(1,883,226)
Profit for the period						5,197,678
Other comprehensive income						(245,475)
Total comprehensive income for the period						4,952,203

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015
THE FIGURES HAVE NOT BEEN AUDITED

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

A9 Material events subsequent to the end of the quarter

During the Extraordinary General Meeting held on 21 November 2015, the shareholders had approved the proposed disposal of 100% equity interest in Efficient Mailcom Sdn Bhd and Efficient Softech Sdn Bhd for a total cash consideration of RM75 million (subject to the adjustments as detailed in Part A of the circular to shareholders dated 30 October 2015).

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.

(b) The Group had on 12 August 2015 incorporated a wholly owned subsidiary known as Efficient RE Sdn Bhd ("ERESB") with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid up.

The intended principal activity of ERESB is property investment.

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 September 2015 except as follows :

Approved and contracted for :	RM'000
Property, plant and equipment	181
Investment Properties	7,198
	<u>7,379</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 September 2015 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	1,667	2,478	6,190	7,758
Renting of vault room for security file storage and related services to RRM	102,060	102,060	306,180	306,180
Renting of warehouse for file and carton storage and related services to RRM	105,000	105,000	315,000	315,000
Total	208,727	209,538	627,370	628,938

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

Current Year To Date Vs Preceding Year To Date

The Group revenue for the financial period ended 30 September 2015 decreased marginally to RM34.9 million as compared to preceding year corresponding period of RM35.0 million.

The Group profit after tax for the financial period ended 30 September 2015 increased by 16% to RM5.2 million from preceding year corresponding period of RM4.5 million. The improvement in group profit after tax was mainly due to lower expenses after cessation of an e-portal operations and realisation of gain from short term investment.

	Cumulative Quarter		Variance	
	30.09.2015	30.09.2014	RM'000	%
Revenue	34,926	35,036	(110)	-0.3%
Profit after tax for the financial period	5,198	4,497	701	16%

(b) Current Quarter Vs Preceding Year Corresponding Quarter

Group revenue for the quarter ended 30 September 2015 decreased by 13% to RM9.1 million from preceding year corresponding quarter of RM10.6 million mainly due to lower revenue generated from services rendered for data and document processing.

Group profit after tax for the quarter ended 30 September 2015 decreased by 50% to RM0.7 million from preceding year corresponding quarter of RM1.5 million. The decrease in Group profit after tax was in tandem with the decrease in revenue as well as lower fair value from investment in shares.

	Individual Quarter		Variance	
	30.09.2015	30.09.2014	RM'000	%
Revenue	9,145	10,566	(1,421)	-13%
Profit after tax for the quarter	727	1,452	(725)	-50%

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

The Group recorded RM0.8 million profit before tax for the quarter, a decrease of 70% as compared to the preceding quarter of RM2.6 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	
	30.09.2015	30.06.2015	RM'000	%
Profit before taxation	796	2,617	(1,821)	-70%

B3 Prospects

Upon disposal of 100% equity interest in Efficient Mailcom Sdn Bhd and Efficient Softech Sdn Bhd as mentioned in Note A9, the Group will continue to carry on with the development of the document management segment and will be exploring other potential profitable business opportunities in relation to business process outsourcing services and other viable business opportunities.

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	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM	RM	RM	RM
Current tax	52,921	384,408	1,904,810	2,248,750
Deferred tax	16,416	-	(21,584)	-
	69,337	384,408	1,883,226	2,248,750

The effective tax rate for the financial period ended 30 September 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

During the Extraordinary General Meeting held on 21 November 2015, the shareholders had approved the following:

(a) Proposed disposal of 100% equity interest in Efficient MailCom Sdn Bhd and Efficient Softech Sdn Bhd to Canon Singapore Pte Ltd for a total cash consideration of RM75.0 million. ("Proposed Disposal")

(b) Proposed partial distribution of cash proceeds arising from the Proposed Disposal to the shareholders.

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 2015, are as follows:

	Short term	Long term	Total
	RM	RM	RM
Secured bank borrowings	1,218,579	909,696	2,128,275
Total	1,218,579	909,696	2,128,275

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 September 2015.

B10 Earnings per share

	Individual Quarter		Cumulative Quarter	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM	RM	RM	RM
Basic Earnings Per Share				
Profit attributable to ordinary equity holders of the parent	727,132	1,451,601	5,197,678	4,496,729
Weighted average number of ordinary shares in issue	709,130,100	709,130,100	709,130,100	709,130,100
Basic EPS (sen)	0.10	0.20	0.73	0.63

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.

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

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

B11 Profit for the year

	Individual Quarter		Cumulative Quarter	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	27,859	57,820	118,527	181,260
Depreciation of property, plant and equipment	840,038	714,297	2,361,438	2,260,555
Amortisation of software development expenditure	-	27,678	-	63,650
Loss on disposal of property, plant and equipment	-	-	8,689	(3,279)
Foreign exchange loss	928	(433)	1,653	696
Property, plant and equipment written off	12,493	-	33,819	479,920
and after crediting :				
Interest income	81,205	261,560	370,503	825,989
Other income including investment income	237,572	328,545	751,499	893,662
Gain on disposal of quoted and unquoted investments	384,506	150,000	591,506	150,000
Foreign exchange gain	54,389	-	78,767	-
Fair value gain on FVTPL financial assets	(377,004)	406,769	126,234	(193,651)

B12 Realised and unrealised profit/ losses

Total retained profits of the Group comprised the following:-

	30.09.2015	31.12.2014
	RM	RM
Realised	54,334,799	49,177,239
Unrealised	(1,570,652)	(1,288,325)
	<u>52,764,147</u>	<u>47,888,914</u>
Add consolidation adjustments	2,203,131	1,880,686
Total Group retained profits as per consolidated accounts	<u><u>54,967,278</u></u>	<u><u>49,769,600</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 26 November 2015.