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EFFICIENT E-SOLUTIONS BERHAD

(Company No. 632479-H)

(Incorporated in Malaysia under the Companies Act, 2016)

QUARTERLY REPORT ON CONSOLIDATED RESULTS

FOR THE FIRST QUARTER ENDED

31 MARCH 2017

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2017

	Individual Quarter		Cumulative Quarter	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM	RM	RM	RM
Revenue	891,072	293,302	891,072	293,302
Cost of sales	(337,964)	(195,060)	(337,964)	(195,060)
Gross profit	553,108	98,242	553,108	98,242
Other operating income	421,493	534,578	421,493	534,578
Administrative and operating expenses	(2,212,872)	(2,645,553)	(2,212,872)	(2,645,553)
Loss from operations	(1,238,271)	(2,012,733)	(1,238,271)	(2,012,733)
Finance costs	(5,723)	-	(5,723)	-
Interest income	475,549	691,392	475,549	691,392
Share of result of associates	261,487	202,150	261,487	202,150
Loss before tax	(506,958)	(1,119,191)	(506,958)	(1,119,191)
Income tax expense	7,762	(68,063)	7,762	(68,063)
Loss for the period from continuing operations, net of tax	(499,196)	(1,187,254)	(499,196)	(1,187,254)
Net loss for the period	(499,196)	(1,187,254)	(499,196)	(1,187,254)
Total comprehensive loss for the period	(499,196)	(1,187,254)	(499,196)	(1,187,254)
Loss for the period attributable to :				
Equity holders of the parent	(499,196)	(1,187,254)	(499,196)	(1,187,254)
Non-controlling interests	-	-	-	-
	(499,196)	(1,187,254)	(499,196)	(1,187,254)
Total comprehensive loss for the period attributable to :				
Equity holders of the parent	(499,196)	(1,187,254)	(499,196)	(1,187,254)
Non-controlling interests	-	-	-	-
	(499,196)	(1,187,254)	(499,196)	(1,187,254)
Loss per share attributable to equity holders of the parent :				
Basic (sen)	(0.07)	(0.17)	(0.07)	(0.17)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	(Unaudited) As at 31.03.2017 RM	(Audited) As at 31.12.2016 RM
ASSETS		
Non-current assets		
Property, plant and equipment	30,782,065	31,315,280
Investment properties	42,235,783	42,446,282
Investment in associated companies	6,193,497	5,932,010
Other investments	150,000	150,000
	79,361,345	79,843,572
Current assets		
Trade receivables	804,135	1,040,501
Other receivables	3,232,135	4,255,511
Tax recoverable	234,019	187,468
Investment securities	10,315,870	10,250,957
Deposits with licensed banks	51,332,652	42,954,588
Cash and bank balances	3,539,998	11,286,417
	69,458,809	69,975,442
Total assets	148,820,154	149,819,014
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
Retained earnings	72,259,203	72,758,399
Total equity	147,805,801	148,304,997
Non-current liabilities		
Hire purchase payable	259,909	304,749
Deferred tax liabilities	16,232	27,639
	276,141	332,388
Current liabilities		
Trade payables	2,815	-
Other payables	502,633	936,378
Hire purchase payables	229,513	245,251
Tax Payable	3,251	-
	738,212	1,181,629
Total liabilities	1,014,353	1,514,017
Total equity and liabilities	148,820,154	149,819,014

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2017

	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 2016</u>								
As at 1 January 2016	70,913,010	4,633,588	-	-	94,760,536	170,307,134	-	170,307,134
Loss for the year	-	-	-	-	(9,946,925)	(9,946,925)	-	(9,946,925)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(9,946,925)	(9,946,925)	-	(9,946,925)
Dividends	-	-	-	-	(12,055,212)	(12,055,212)	-	(12,055,212)
As at 31 December 2016	70,913,010	4,633,588	-	-	72,758,399	148,304,997	-	148,304,997
<u>FINANCIAL PERIOD ENDED 31 MARCH 2017</u>								
As at 1 January 2017	70,913,010	4,633,588	-	-	72,758,399	148,304,997	-	148,304,997
Loss for the period	-	-	-	-	(499,196)	(499,196)	-	(499,196)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(499,196)	(499,196)	-	(499,196)
As at 31 March 2017	70,913,010	4,633,588	-	-	72,259,203	147,805,801	-	147,805,801

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016.)

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 31 MARCH 2017

	31.03.2017	31.03.2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation:	(506,958)	(1,119,191)
Adjustments for:		
Depreciation of investment properties	230,632	136,912
Depreciation of property, plant and equipment	428,749	101,607
Fair value (gain)/loss on FVTPL financial assets	(45,555)	562,204
Loss on disposal of property, plant and equipment	52,901	-
Loss on disposal of investment properties	84	-
Dividend income	(37,618)	(39,909)
Interest income	(475,549)	(691,392)
Interest expenses	5,723	-
Investment income from investment securities	(11,820)	-
Share of results of associated companies	(261,487)	(202,150)
Operating loss before changes in working capital	<u>(620,898)</u>	<u>(1,251,919)</u>
Decrease/(Increase) in trade and other receivables	388,292	(870,225)
Decrease in trade and other payables	(430,930)	(9,182,729)
Cash used in operations	<u>(663,536)</u>	<u>(11,304,873)</u>
Tax paid, net of tax refunded	<u>(46,945)</u>	<u>(46,000)</u>
Net cash used in operating activities	<u>(710,481)</u>	<u>(11,350,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	37,618	39,909
Interest from deposits with licensed banks	475,549	691,392
Increase in investment securities	(19,358)	(115,500)
Investment income	11,820	-
Proceeds from disposal of property, plant & equipment	235,849	-
Proceeds from disposal of investment properties	283	-
Purchase of property, plant and equipment	(184,284)	(52,745)
Purchase of investment properties	(20,500)	(912,529)
Consideration received from disposal of subsidiary company	871,449	7,151,091
Net cash generated from investing activities	<u>1,408,426</u>	<u>6,801,618</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase and lease creditors	(60,577)	-
Interest paid	(5,723)	-
Net cash used in financing activities	<u>(66,300)</u>	<u>-</u>
Net change in cash and cash equivalents	631,645	(4,549,255)
Cash and cash equivalents at beginning of the financial year	54,241,005	84,456,775
Cash and cash equivalents at end of the financial year*	<u><u>54,872,650</u></u>	<u><u>79,907,520</u></u>
*Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	3,539,998	29,907,520
Deposits with licensed banks	51,332,652	50,000,000
	<u><u>54,872,650</u></u>	<u><u>79,907,520</u></u>
(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2016.)		

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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 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 2016. 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 the year ended 31 December 2016 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 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, other than repayment of hire purchase loan.

A7 Dividend paid

There were no dividend paid during the financial period.

A8 Segment information

Segment information is presented in respect of the Group's business segment for the financial year ended 31 March 2017.

Analysis by activities	Records Management	IT Services	Rental	Others	Elimination	Total
	RM	RM	RM	RM	RM	RM
Operating Revenue						
External sales	309,225	515,089	-	66,758	-	891,072
Inter-segment sales	-	-	-	-	-	-
Total operating revenue	309,225	515,089	-	66,758	-	891,072
Result						
Loss from operations	(243,424)	(81,842)	(246,924)	(560,129)	-	(1,132,319)
Unrealised Depreciation	-	-	-	-	(105,952)	(105,952)
Finance costs	(2,211)	-	(3,512)	-	-	(5,723)
Interest income	17,699	7,053	19,117	431,680	-	475,549
Share of result of associates	-	-	-	261,487	-	261,487
Loss before taxation	(227,936)	(74,789)	(231,319)	133,038	(105,952)	(506,958)
Income tax expense						7,762
Loss for the period						(499,196)
Other comprehensive income						-
Total comprehensive loss for the period						(499,196)

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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

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

The contingent liabilities of the Group since the last annual balance sheet date as at 31 December 2016 were RM236,500.

A12 Capital commitments

The capital commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 31 March 2017 are as follows :

Approved and contracted for :	RM'000
Property, plant and equipment	<u>456</u>
	456

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.

The related party transactions of the Group for the quarter and financial year ended 31 March 2017 are as follows:

	Individual Quarter		Cumulative Quarter	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM	RM	RM	RM
Provision of document archiving and related services to RRM	309,225	-	309,225	-
Renting of vault room for security file storage and related services to RRM	-	102,060	-	102,060
Renting of warehouse for file and carton storage and related services to RRM	-	105,000	-	105,000
IT Services provided to RRM	60,000	-	60,000	-
IT Services provided to OTC	264,000	-	264,000	-
Total	633,225	207,060	633,225	207,060

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 recorded RM0.9 million revenue for the financial period ended 31 March 2017 which was RM0.6 million higher as compared to the preceding year corresponding quarter of RM0.3 million. The higher revenue mainly contributed by the increase of revenue from both IT Services and Records Management.

The Group loss after tax for the current quarter was RM0.5 million as compared to RM1.2 million from preceding year corresponding period. The higher revenue recorded and fair value gain through FVTPL has improved the Group financial performance.

	Cumulative Quarter		Variance	
	31.03.2017	31.03.2016	RM'000	%
	RM'000	RM'000		
Revenue	891	293	598	204.1%
Loss after tax for the financial period	(499)	(1,187)	688	-58.0%

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

The Group's current quarter loss before tax of RM0.5 million was lower by 93% compared to preceding quarter of RM7.4 million loss mainly due to (a) higher operating expenses; (b) fair value loss on FVTPL financial asset and (c) impairment loss on other investment recorded in preceding quarter.

	Current Quarter	Immediate Preceding Quarter	Variance	
	31.03.2017	31.12.2016	RM'000	%
	RM'000	RM'000		
Loss before taxation	(507)	(7,391)	6,884	93.1%

B3 Prospects

The Group is constantly evaluating new product verticals to complement its business process outsourcing services (BPO) capabilities to better serve the market space in both document management and BPO services.

B4 Profit forecast or profit guarantee

This note is not applicable.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM	RM	RM	RM
Current tax	3,645	68,063	3,645	68,063
Deferred tax	(11,407)	-	(11,407)	-
	(7,762)	68,063	(7,762)	68,063

The Group's accounted for tax expenses due to interest income and certain expenses not deductible for tax purpose.

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

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 2017 to submit a regularisation plan pursuant to paragraph 8.04(3) together with paragraph 5.0 of Prattice Note 17 of the Main Market Listing Requirements of Bursa Securities.

(b) Utilisation of proceeds as at financial period ended 31 March 2017.

Purpose	Proposed RM' million	Actual RM' million	Intended	Deviation
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	8.8	Within 18 months	-
Working Capital	8.0	8.0	Within 12 months	-
Estimated expenses in relation to the Proposals	1.4	1.4	Within 1 month	-

B7 Borrowings and debt securities

The Group acquired hire purchase facility of RM550,000 as at 31 December 2016. The hire purchase loan balance as at 31 March 2017 is as follow:

	Short term RM	Long term RM	Total RM
Secured bank borrowings	229,513	259,909	489,422
Total	229,513	259,909	489,422

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 period.

B10 Earnings per share

	Individual Quarter		Cumulative Quarter	
	31.03.2017 RM	31.03.2016 RM	31.03.2017 RM	31.03.2016 RM
Basic Earnings Per Share				
Loss attributable to ordinary equity holders of the parent	(499,196)	(1,187,254)	(499,196)	(1,187,254)
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)	(0.07)	(0.17)	(0.07)	(0.17)

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 period.

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

B11 Profit for the period

	Individual Quarter		Cumulative Quarter	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	5,723	-	5,723	-
Depreciation of property, plant and equipment	428,749	101,607	428,749	101,607
Depreciation of Investment property	230,632	136,912	230,632	136,912
Loss on disposal of property, plant and equipment	52,901	-	52,901	-
Loss on disposal of Investment property	84	-	84	-
Foreign exchange loss	255	-	255	-
Fair value loss on FVTPL financial assets	-	562,204	-	562,204
and after crediting :				
Interest income	475,549	691,392	475,549	691,392
Other income including investment income	375,938	534,578	375,938	534,578
Fair value gain on FVTPL financial assets	45,555	-	45,555	-

B12 Realised and unrealised profit/(loss)

Total retained profits of the Group comprised the following:

	31.03.2017	31.12.2016
	RM	RM
Realised	79,069,138	80,391,083
Unrealised	29,323	(637,890)
	79,098,461	79,753,193
Add consolidation adjustments	(6,839,258)	(6,994,794)
Total Group retained profits as per consolidated accounts	<u>72,259,203</u>	<u>72,758,399</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 25 May 2017.