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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 SECOND QUARTER ENDED

30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2017

	Individual Quarter		Individual Quarter		Cumulative Quarter	
	31.03.2017	31.03.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM	RM	RM	RM	RM	RM
Revenue	891,072	293,302	787,581	719,041	1,678,653	1,012,343
Cost of sales	(337,964)	(195,060)	(307,602)	(301,510)	(645,566)	(496,570)
Gross profit	553,108	98,242	479,979	417,531	1,033,087	515,773
Other operating income	421,493	534,578	723,399	518,488	1,144,892	1,053,066
Administrative and operating expenses	(2,212,872)	(2,645,553)	(2,241,818)	(2,507,769)	(4,454,690)	(5,153,322)
Loss from operations	(1,238,271)	(2,012,733)	(1,038,440)	(1,571,750)	(2,276,711)	(3,584,483)
Finance costs	(5,723)	-	(3,543)	-	(9,266)	-
Interest income	475,549	691,392	477,775	487,982	953,324	1,179,374
Share of result of associates	261,487	202,150	189,711	133,411	451,198	335,561
Loss before tax	(506,958)	(1,119,191)	(374,497)	(950,357)	(881,455)	(2,069,548)
Income tax expense	7,762	(68,063)	(7,046)	(47,654)	716	(115,717)
Loss for the period from continuing operations, net of tax	(499,196)	(1,187,254)	(381,543)	(998,011)	(880,739)	(2,185,265)
Discontinued Operations Profit from discontinued operations, net of tax	-	-	-	-	-	-
Net loss for the period	(499,196)	(1,187,254)	(381,543)	(998,011)	(880,739)	(2,185,265)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss for the period	(499,196)	(1,187,254)	(381,543)	(998,011)	(880,739)	(2,185,265)
Loss for the period attributable to :						
Equity holders of the parent	(499,196)	(1,187,254)	(381,543)	(998,011)	(880,739)	(2,185,265)
Non-controlling interests	-	-	-	-	-	-
	(499,196)	(1,187,254)	(381,543)	(998,011)	(880,739)	(2,185,265)
Total comprehensive loss for the period attributable to :						
Equity holders of the parent	(499,196)	(1,187,254)	(381,543)	(998,011)	(880,739)	(2,185,265)
Non-controlling interests	-	-	-	-	-	-
	(499,196)	(1,187,254)	(381,543)	(998,011)	(880,739)	(2,185,265)
Loss per share attributable to equity holders of the parent :						
Basic (sen)	(0.07)	(0.17)	(0.05)	(0.14)	(0.12)	(0.31)

(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 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	(Unaudited) As at 30.06.2017 RM	(Audited) As at 31.12.2016 RM
ASSETS		
Non-current assets		
Property, plant and equipment	30,803,594	31,315,280
Investment properties	42,012,438	42,446,282
Investment in associated companies	6,383,208	5,932,010
Other investments	150,000	150,000
	79,349,240	79,843,572
Current assets		
Trade receivables	615,807	1,040,501
Other receivables	1,297,725	4,255,511
Tax recoverable	150,573	187,468
Investment securities	10,715,068	10,250,957
Deposits with licensed banks	52,607,282	42,954,588
Cash and bank balances	3,612,533	11,286,417
	68,998,988	69,975,442
Total assets	148,348,228	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	71,877,660	72,758,399
Total equity	147,424,258	148,304,997
Non-current liabilities		
Hire purchase payable	229,744	304,749
Deferred tax liabilities	15,440	27,639
	245,184	332,388
Current liabilities		
Trade payables	11,766	-
Other payables	438,744	936,378
Hire purchase payables	219,021	245,251
Tax Payable	9,255	-
	678,786	1,181,629
Total liabilities	923,970	1,514,017
Total equity and liabilities	148,348,228	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 30 JUNE 2017
 THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 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 30 JUNE 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	-	-	-	-	(880,739)	(880,739)	-	(880,739)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(880,739)	(880,739)	-	(880,739)
As at 30 June 2017	70,913,010	4,633,588	-	-	71,877,660	147,424,258	-	147,424,258

(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 30 JUNE 2017
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 JUNE 2017

	30.06.2017	30.06.2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation:	(881,455)	(2,069,548)
Adjustments for:		
Depreciation of investment properties	462,177	273,824
Depreciation of property, plant and equipment	853,461	446,981
Fair value (gain)/loss on FVTPL financial assets	(371,463)	875,882
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	(953,324)	(1,179,374)
Interest expenses	9,266	-
Investment income from investment securities	(45,791)	(37,929)
Share of results of associated companies	(451,198)	(335,561)
Operating loss before changes in working capital	<u>(1,362,960)</u>	<u>(2,065,634)</u>
Decrease/(Increase) in trade and other receivables	2,340,597	(3,488,456)
Decrease in trade and other payables	(485,868)	(8,676,686)
Cash generated from/(used in) operations	<u>491,769</u>	<u>(14,230,776)</u>
Tax paid, net of tax refunded	34,667	(94,000)
Dividends paid	-	(12,055,212)
Net cash used in operating activities	<u>526,436</u>	<u>(26,379,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income	37,618	39,909
Interest from deposits with licensed banks	953,324	1,179,374
Increase in investment securities	(92,648)	(8,112,590)
Investment income	45,791	37,929
Proceeds from disposal of property, plant & equipment	235,849	-
Proceeds from disposal of investment properties	283	-
Purchase of property, plant and equipment	(630,525)	(1,601,446)
Purchase of investment properties	(28,700)	-
Consideration received from disposal of subsidiary company	1,041,883	7,151,091
Net cash generated from/(used in) investing activities	<u>1,562,875</u>	<u>(1,305,733)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase and lease creditors	(101,234)	-
Interest paid	(9,266)	-
Net cash used in financing activities	<u>(110,500)</u>	<u>-</u>
Net change in cash and cash equivalents	1,978,811	(27,685,721)
Cash and cash equivalents at beginning of the financial year	54,241,004	84,456,775
Cash and cash equivalents at end of the financial year*	<u><u>56,219,815</u></u>	<u><u>56,771,054</u></u>
*Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	3,612,533	7,424,708
Deposits with licensed banks	52,607,282	49,346,346
	<u><u>56,219,815</u></u>	<u><u>56,771,054</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.)		

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.

The Group acquired hire purchase facility of RM550,000 as at 31 December 2016.

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 30 June 2017.

Analysis by activities	Records Management	IT Services	Rental	Others	Elimination	Total
	RM	RM	RM	RM	RM	RM
Operating Revenue						
External sales	620,990	964,886	-	92,777	-	1,678,653
Inter-segment sales	-	-	-	-	-	-
Total operating revenue	620,990	964,886	-	92,777	-	1,678,653
Result						
Loss from operations	(503,359)	(135,315)	(516,584)	(912,090)	-	(2,067,348)
Unrealised Depreciation	-	-	-	-	(209,363)	(209,363)
Finance costs	(3,591)	-	(5,675)	-	-	(9,266)
Interest income	35,285	17,374	37,450	863,215	-	953,324
Share of result of associates	-	-	-	451,198	-	451,198
Loss before taxation	(471,665)	(117,941)	(484,809)	402,323	(209,363)	(881,455)
Income tax expense						716
Loss for the period						(880,739)
Other comprehensive income						-
Total comprehensive loss for the period						(880,739)

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 30 June 2017 are as follows :

Approved and contracted for :	RM'000
Property, plant and equipment	<u>270</u>
	270

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 30 June 2017 are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM	RM	RM	RM
Provision of document archiving and related services by RRM	250	-	250	-
Provision of document archiving and related services to RRM	311,765	111,321	620,990	111,321
Renting of vault room for security file storage and related services to RRM	-	68,040	-	170,100
Renting of warehouse for file and carton storage and related services to RRM	-	70,000	-	175,000
IT Services provided to RRM	60,000	60,000	120,000	60,000
IT Services provided to OTC	264,000	264,000	528,000	264,000
Total	636,015	573,361	1,269,240	780,421

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.

EFFICIENT E-SOLUTIONS BERHAD (Company No. 632479-H)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2017
 THE FIGURES HAVE NOT BEEN AUDITED

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

B1 Financial review for current quarter and financial year to date

	Individual Quarter		Variance		Cumulative Quarter		Variance	
	30.06.2017	30.06.2016			30.06.2017	30.06.2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	788	719	69	9.6%	1,679	1,012	667	65.9%
Loss from operations	(1,038)	(1,572)	534	-34.0%	(2,277)	(3,584)	1,307	-36.5%
Loss before interest and tax	(1,038)	(1,572)	534	-34.0%	(2,277)	(3,584)	1,307	-36.5%
Loss before tax for the financial period	(374)	(950)	576	-60.6%	(881)	(2,070)	1,189	-57.4%
Loss after tax for the financial period	(382)	(998)	616	-61.7%	(881)	(2,185)	1,304	-59.7%
Loss for the period attributable to equity holders of the parent	(382)	(998)	616	-61.7%	(881)	(2,185)	1,304	-59.7%

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

The Group revenue was RM1.7 million for the financial period ended 30 June 2017, which was RM0.7 million higher as compared to the preceding year corresponding period of RM1 million primarily due to higher revenue from both IT Services and Records Management.

The Group recorded loss before tax of RM0.9 million as compared to RM2.0 million loss in preceding year corresponding period mainly due to increase in revenue from (a) IT services and Records Management; (b) fair value gain from other investment and (c) reduction in administrative expenses.

(b) Current Quarter Vs Preceding Year Corresponding Quarter

For the quarter ended 30 June 2017, the Group revenue increased by 9.6% to RM0.8 million compared to preceding year corresponding quarter of RM0.7 million mainly contributed by higher revenue generated from Records management.

The Group recorded RM0.4 million loss before tax for the current quarter against RM1 million loss in preceding year corresponding quarter mainly due to higher revenue from Records Management; fair value gain from other investment and lower administrative expenses.

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

The Group's revenue of RM0.8 million for current quarter was 11.6% lower than the immediate preceding quarter of RM0.9 million. This was attributed by revenue generated from ad hoc project from IT services in preceding quarter.

Despite decrease in current quarter revenue, the Group recorded RM0.4 million loss before tax against RM0.5 million loss before tax of preceding quarter as a result of fair value gain from other investment.

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.06.2017	31.03.2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	788	891	(103)	-11.6%
Loss from operations	(1,038)	(1,238)	200	16.2%
Loss before interest and tax	(1,038)	(1,238)	200	16.2%
Loss before taxation	(374)	(507)	133	26.2%
Loss after tax for the quarter	(382)	(499)	117	23.4%
Loss for the period attributable to equity holders of the parent	(382)	(499)	117	23.4%

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

B3 Prospects

The Group is exploring new business opportunity to compliment its Business Process Outsourcing (BPO) - IT business. We are at the stage of mapping its potential to the Malaysian market space. In line with the push and continuous growth of SME market, we will position the product towards this market.

B4 Profit forecast or profit guarantee

This note is not applicable.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM	RM	RM	RM
Current tax	7,838	32,551	11,483	100,614
Deferred tax	(792)	15,103	(12,199)	15,103
	7,046	47,654	(716)	115,717

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

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

(b) Utilisation of proceeds as at financial period ended 30 June 2017.

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe	Deviation	Explanations
	RM' million	RM' million			
Proposed Distribution	12.1	12.1	Within 6 months	-	The Group is exploring new business opportunity
Development of the document management segment and/ or acquisition of viable new businesses and/ or assets	53.5	9.2	Within 18 months	83%	
Working Capital	8.0	8.0	Within 12 months	-	
Estimated expenses in relation to the Proposals	1.4	1.4	Within 1 month	-	

B7 Borrowing and debt securities

The Group acquired hire purchase facility of RM550,000 as at 31 December 2016. The hire purchase loan balance as at 30 June 2017 is as follow:

	Cumulative Quarter		
	30.06.2017		
	Long term	Short term	Total
	RM	RM	RM
Secured bank borrowings	229,744	219,021	448,765
Total	229,744	219,021	448,765

	Cumulative Quarter		
	30.06.2016		
	Long term	Short term	Total
	RM	RM	RM
Secured bank borrowings	-	-	-
Total	-	-	-

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

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	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM	RM	RM	RM
Basic Earnings Per Share				
Loss attributable to ordinary equity holders of the parent	(381,543)	(998,011)	(880,739)	(2,185,265)
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)	(0.05)	(0.14)	(0.12)	(0.31)

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.

B11 Profit for the period

	Individual Quarter		Cumulative Quarter	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM	RM	RM	RM
Profit for the period is arrived at after charging :				
Interest expense	3,543	-	9,266	-
Depreciation of property, plant and equipment	424,712	345,373	853,461	446,981
Depreciation of Investment property	231,544	136,912	462,177	273,824
Loss on disposal of property, plant and equipment	-	-	52,901	-
Loss on disposal of Investment property	-	-	84	-
Foreign exchange loss	58	152	313	152
Fair value loss on FVTPL financial assets	-	313,678	-	875,882
and after crediting :				
Interest income	477,775	487,982	953,324	1,179,374
Rental income	363,518	480,559	727,537	1,015,137
Other income including investment income	33,972	37,929	45,891	37,929
Fair value gain on FVTPL financial assets	325,908	-	371,463	-

B12 Realised and unrealised profit/(loss)

Total retained profits of the Group comprised the following:

	30.06.2017	31.12.2016
	RM	RM
Realised	78,274,594	80,391,083
Unrealised	356,023	(637,890)
	78,630,618	79,753,193
Add consolidation adjustments	(6,752,958)	(6,994,794)
Total Group retained profits as per consolidated accounts	71,877,660	72,758,399

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 30 August 2017.