



SYSTECH BHD 897114-T

Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

(the figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30.09.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2017 RM'000	CURRENT PERIOD TO-DATE 30.09.2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.09.2017 RM'000
Revenue	6,667	4,818	15,734	8,637
Amortisation of research and development expense	(720)	(613)	(1,400)	(1,161)
Other cost of sales	(2,220)	(2,177)	(6,561)	(3,579)
Gross profit	3,727	2,028	7,773	3,897
Interest income	28	38	54	76
Other income	23	43	50	59
Administration expenses	(1,318)	(702)	(2,935)	(1,376)
Depreciation	(270)	(228)	(495)	(435)
Impairment of goodwill	(481)	(156)	(638)	(313)
Selling and distribution expenses	(652)	(309)	(766)	(586)
Provision for doubtful debts	-	-	(50)	-
Gain/(Loss) on foreign exchange	2	(9)	4	15
Gain/(Loss) on disposal MV	-	-	-	-
Other operating expenses	(290)	(338)	(578)	(520)
Profit from operations	769	368	2,419	817
Finance cost	(88)	(84)	(177)	(161)
Profit before tax	681	284	2,242	656
Income tax expenses	(184)	(37)	(552)	(42)
Profit after tax	497	247	1,690	614
Other comprehensive income	388	-	497	-
Profit for the period	885	247	2,187	614
Profit after tax attributable to:-				
- Owners of the parent	408	239	1,195	647
- Non-controlling Interest	89	8	495	(33)
	497	247	1,690	614
Profit for the period attributable to:				
- Owners of the parent	766	239	1,646	647
- Non-controlling Interest	119	8	541	(33)
	885	247	2,187	614
Earnings per share ("EPS") attributable to owners of the parent (sen per share)				
Basic	0.12	0.07	0.34	0.20
Diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2018. The accompany notes are an integral part of this statement.



SYSTECH BHD 897114-T
Incorporated in Malaysia

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

(the figures have not been audited)

	UNAUDITED AS AT 30.09.2018 RM'000	AUDITED AS AT 31.03.2018 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6,092	6,230
Goodwill on consolidation	32,705	32,977
Investment properties	3,529	3,567
Development expenditure	8,847	8,493
Other investment	251	251
Deferred tax assets	67	67
TOTAL NON-CURRENT ASSETS	51,491	51,585
CURRENT ASSETS		
Inventory	2	29
Trade receivables	6,143	6,535
Other receivables, deposits and prepayments	584	513
Current tax assets	258	186
Fixed deposits with licensed financial institution	161	500
Short term deposits with licensed financial institutio	2,485	2,408
Cash and bank balances	3,608	2,893
TOTAL CURRENT ASSETS	13,241	13,064
TOTAL ASSETS	64,732	64,649
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	43,882	43,882
Retained earnings	9,184	7,989
Exchange translation reserves	(509)	(960)
Treasury Shares	(362)	(362)
	52,195	50,549
Non-controlling interest	1,394	1,669
TOTAL EQUITY	53,589	52,218
NON-CURRENT LIABILITIES		
Borrowings	6,183	6,471
Deferred tax liabilities	326	251
TOTAL NON-CURRENT LIABILITIES	6,509	6,722
CURRENT LIABILITIES		
Trade payables	802	1,692
Other payables and accruals	1,905	2,403
Amount owing to directors	655	533
Provision for taxation	544	175
Borrowings	728	906
TOTAL CURRENT LIABILITIES	4,634	5,709
TOTAL LIABILITIES	11,143	12,431
TOTAL EQUITY AND LIABILITIES	64,732	64,649
NET ASSETS PER SHARE (SEN)	15.41	11.90

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2018. The accompany notes are an integral part of this statement.



SYSTECH BHD 897114-T

Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

(the figures have not been audited)

Six (6) months ended 30 September 2018	<-----ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY----->					NON- CONTROLLING INTEREST RM'000	TOTAL EQUITY RM'000
	ORDINARY SHARES RM'000	RETAINED EARNINGS RM'000	TREASURY SHARES RM'000	EXCHANGE TRANSLATION RESERVES RM'000	TOTAL RM'000		
Balance as at 1 April 2018	43,882	7,989	(362)	(960)	50,549	1,669	52,218
Total comprehensive income for the financial period	-	1,195	-	451	1,646	(275)	1,371
Balance as at 30 September 2018	43,882	9,184	(362)	(509)	52,195	1,394	53,589
Six (6) months ended 30 September 2017	<-----ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY----->						
	ORDINARY SHARES RM'000	RETAINED EARNINGS RM'000	TREASURY SHARES RM'000	EXCHANGE TRANSLATION RESERVES RM'000	TOTAL RM'000	NON- CONTROLLING INTEREST RM'000	TOTAL EQUITY RM'000
Balance as at 1 April 2017	31,734	6,591	(214)	(3)	38,108	404	38,512
Repurchase of shares	-	-	(92)	-	(92)	-	(92)
Total comprehensive income for the financial period	-	647	-	(167)	480	(42)	438
Issuance of new shares	12,148	-	-	-	12,148	-	12,148
Acquisition of new subsidiaries	-	-	-	-	-	999	999
Balance as at 30 September 2017	43,882	7,238	(306)	(170)	50,644	1,361	52,005

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2018. The accompany notes are an integral part of this statement.



SYSTECH BHD 897114-T
Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

(the figures have not been audited)

	CUMULATIVE QUARTERS	
	CURRENT PERIOD TO-DATE 30.09.2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.09.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,242	656
Adjustment for non-cash items	2,713	2,089
Operating profit before changes in working capital	4,955	2,745
Decrease /(Increase) in trade receivables	342	(790)
Other net changes in assets	(44)	(608)
(Decrease)/Increase in trade payables	(890)	587
Other net changes in liabilities	(375)	(421)
Cash flow from operations	3,988	1,513
Tax (paid)/refunded	(180)	36
Net cash flow from operating activities	3,808	1,549
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(327)	(268)
Payment for development expenditure	(1,858)	(1,518)
Interest received	54	135
Development expenditure written off	104	-
Cash outflow from acquisition of subsidiaries	-	(841)
Net cash flow used in investing activities	(2,027)	(2,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to minority shareholders of subsidiary	(815)	-
Purchase of treasury shares	-	(92)
Net change in hire purchase payables	(105)	(73)
Interest paid	(177)	(153)
Net changes in term loan	(361)	(164)
Net cash flow used in financing activities	(1,458)	(482)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	323	(1,425)
<i>Effect of changes in exchange rate</i>	130	(50)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	5,801	7,304
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	6,254	5,829
The cash and cash equivalents at the end of the reporting period comprised of the following:-		
Fixed deposits with licensed financial institution	161	-
Short term deposits with licensed financial institutions	2,485	2,023
Cash and bank balances	3,608	3,806
	6,254	5,829

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2018. The accompany notes are an integral part of this statement.



SYSTECH BHD 897114-T
Incorporated in Malaysia

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018

PART A: REQUIREMENT OF MFRS 134 – INTERIM FINANCIAL REPORTING

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Systech Bhd (“Systech” or “the Company”) and its subsidiaries (“the Group”) since the previous financial year ended (“FYE”) 31 March 2018.

They do not include all of the information required for full annual financial statements, and as such should be read in conjunction with the consolidated financial statements of the Group as at and for the FYE 31 March 2018.

2. Significant Accounting Policies

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted in the audited financial statements of Systech for the FYE 31 March 2018.

3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are consistent with those adopted in the audited financial statements of Systech for the FYE 31 March 2018.

4. Auditor’s Report on Preceding Annual Financial Statements

The independent auditors’ report on Systech’s annual audited financial statements for the preceding FYE 31 March 2018 was not subject to any audit qualification.

5. Seasonal and Cyclical Factors

The business of the Group was not affected by any significant seasonal and cyclical factors during the current financial period under review.

6. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows due to their nature, size or incidence during the current financial period under review.

7. Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years. Thus, there is no material effect in the financial statements of the current financial period under review.

8. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt securities of the Group and equity securities of the Company during the financial quarter under review.

9. Dividends paid

No dividend has been paid during the current financial quarter under review.

10. Carrying Amount of Revalued Assets

There were no revaluation of property, plant and equipment by the Group.

11. Significant Material and Subsequent Events

There were no significant material and subsequent events subsequent to the end of the current financial period under review that have not been reflected in the interim financial statements.

12. Changes in the Composition of the Group

SysArmy Sdn. Bhd. ("**SysArmy**"), a subsidiary of the Company, had on 18 July 2018 incorporated a wholly-owned subsidiary, SecureIoT Academy Sdn. Bhd. in Malaysia.

Except for the foregoing-mentioned, there were no other changes in the composition of the Group during the current financial period under review.

13. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets of the Group during the current financial period under review.

14. Capital Commitments and corporate guarantees

The Group does not have any capital commitments as at the end of the current financial period under review.

The corporate guarantees of the Company are as follows:-

	As at 30.09.2018 RM'000	As at 31.03.2018 RM'000
Corporate guarantees given to banks as securities for credit facilities granted to a subsidiary	<u>6,394</u>	<u>6,307</u>

15. Significant Related Party Transactions

There were no significant related party transactions during the financial period under review.



SYSTECH BERHAD ("SYSTECH") 897114-T
Incorporated in Malaysia

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018

PART B: ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

16. Review of Performance

The Group recorded RM6.667 million of revenue and a profit after taxation of RM0.497 million in the current quarter under review and the recorded revenue was contributed by the following five (5) direct and indirect subsidiaries with business operation:

- (i) Syscotech Sdn Bhd ("**Syscotech**"), which is principally involved in the design, research and development, customisation and implementation of its proprietary software solutions to the members' centric industry such as the direct selling industry and retail industry;
- (ii) Mobysys Sdn Bhd ("**Mobysys**"), which is principally involved in the development of franchise software system, which is designed for the operational and management needs for organisations operating with franchise business models;
- (iii) SysCode Sdn Bhd ("**SysCode**"), which is principally involved in the development and research and development of cloud-based software solutions and blockchain solutions. (The software solutions provided by Syscotech, Mobysys and SysCode are to be referred to as "**e-business solutions**");
- (iv) SysArmy Sdn Bhd and its subsidiary, PT SysArmy Indocyber Security ("**SysArmy**"), which is principally involved in Big Data Analytics and related applications focusing on cyber security services, managed security network monitoring system and other cyber security related products and advisory work (the applications and services provided by SysArmy are to be referred to as "**CyberSecurity**"); and
- (v) Postlink Pte. Ltd. ("**Postlink**"), which is principally involved in the business of annual report and publication mailing in Singapore and the development of a new initiative in providing digitised annual report in a dynamic format (the services provided by Postlink are to be referred to as "**e-Logistics**").

Demand for the Group's solutions are driven by the general economic conditions in general. We expect revenue from e-business solutions and CyberSecurity to continue to grow.

The Group's level of operating activities is determined by the number of employees engaged to:

- (a) manage customisation under its e-business solutions segment;
- (b) undertake the monitoring and professional services for its CyberSecurity customers; and
- (c) undertake the provision of e-logistic services for Postlink's customers.

During the period under review, there were no factors or circumstances that significantly affected its revenue, costs or profit margins.

The current quarter under review had included the results from SysCode and Postlink, of which the acquisition of equity interest in these companies were completed on 31 July 2017 and 30 August 2017, respectively. Consequently, in comparing the results of the Group for the quarter under review against the corresponding quarter of the previous financial year, will indicate a general increase in all aspects, i.e. increase in revenue, gross profit and profit after tax.

The Group's performance for the quarter under review against the corresponding quarter of the previous financial year is as follows:-

	INDIVIDUAL QUARTER PRECEDING YEAR				CUMULATIVE PERIOD PRECEDING YEAR			
	CURRENT YEAR QUARTER	CORRESPONDING QUARTER	Changes		CURRENT PERIOD TO- DATE	CORRESPONDING PERIOD	Changes	
	30.09.2018 RM'000	30.09.2017 RM'000	RM'000	%	30.09.2018 RM'000	30.09.2017 RM'000	RM'000	%
Revenue	6,667	4,818	1,849	38.38	15,734	8,637	7,097	82.17
Gross profit	3,727	2,028	1,699	83.78	7,773	3,897	3,876	99.46
Profit before interest and tax	769	368	401	108.97	2,419	817	1,602	196.08
Profit before tax	681	284	397	139.79	2,242	656	1,586	241.77
Profit after tax	497	247	250	101.21	1,690	614	1,076	175.24
Attributable to owners of the parent	408	239	169	70.71	1,195	647	548	84.70

e-Business solutions and CyberSecurity segments recorded increase in revenue and profit after tax in the current quarter under review as compared to the corresponding quarter of the previous financial year.

There were no material other income or expenses received and/or incurred by the Group during the period under review.

Other than Postlink and PT SysArmy Indocyber Security ("**PT SysArmy**"), an indirect subsidiary incorporated in the Republic of Indonesia by SysArmy Sdn Bhd; the other overseas venture i.e. Syscatech, Inc., a direct subsidiary incorporated in the United States of America by Systech Bhd; remained dormant.

In view of the inactive position of the said subsidiary, the exposure of foreign currency translation risk in relation to thereto, which is in regard to the exposure of United States Dollar is therefore not significant.

The Group is exposed to currency exposure arising from its investment in Postlink and PT SysArmy which are denominated in Singapore Dollar ("**SGD**") and Indonesian Rupiah ("**IDR**") and the exposures are managed closely from time to time. In view of the insignificant transactions between the subsidiaries based in Malaysia with Postlink and PT SysArmy during the period, the exposures hence have no material impact on the financial results of the Group for the current financial period under review.

The Group is also exposed to transactional currency exposures arising from sales and the occasional insignificant purchases made by subsidiaries of the Group that are based in Malaysia; that are denominated in currencies other than the functional currency of the Group which is, Ringgit Malaysia. The currencies give rise to this risk are primarily United States Dollar, Chinese Renminbi, SGD and IDR. The exposures have been managed closely and with the insignificant fluctuation of exchange during the period, the exposure hence has no material impact on the financial results of the Group for the current financial period under review.

The normal credit terms granted by the Group to its customers range from 30 to 180 days. Other credit terms are assessed and approved on a case-by-case basis. Approximately 50% of the Group's total receivables are neither past due nor impaired, with the remaining comprised of credible receivables with regular payments.

17. Variation of Results against Preceding Quarter

	INDIVIDUAL QUARTER		Changes	
	CURRENT YEAR QUARTER	IMMEDIATE PRECEDING QUARTER	RM'000	%
	30.09.2018	30.06.2018		
Revenue	6,667	9,067	(2,400)	(26.47)
Gross profit	3,727	4,047	(320)	(7.91)
Profit before interest and tax	769	1,651	(882)	(53.42)
Profit before tax	681	1,562	(881)	(56.40)
Profit after tax	497	1,194	(697)	(58.38)
Attributable to owners of the parent	408	787	(379)	(48.16)

Revenue for the quarter under review had decreased as compared to the immediate preceding quarter mainly due to lower contribution from the e-Logistics segments during the said period. Despite higher gross margin recorded during the said period, the decrease in profit after tax is mainly due to lower revenue recorded during the said period as well as impairment of goodwill recognized during the said period.

18. Segmental Reporting

The principal business of the Group is categorised into three (3) main reportable operating segments which comprised of e-business solutions, CyberSecurity and e-Logistics. The segmental results are as follows:

Six (6) Months Financial Period Ended 30 September 2018

	e-Business Solutions RM'000	CyberSecurity solutions RM'000	e-Logistics RM'000	Adjustment and Eliminations RM'000	Consolidated RM'000
Revenue from external customers	6,360	2,665	6,709	-	15,734
Segment results	1,270	22	1,073	-	2,365
Interest income					54
Financing cost					(177)
Profit before taxation					2,242
Tax Expenses					(552)
Profit after taxation					1,690
Segment assets	52,762	4,843	3,089	4,038	64,732
Segment liabilities	8,246	1,587	984	326	11,143
Capital and development expenditure	1,549	636	-	-	2,185
Depreciation	365	125	5	-	495

Adjustments for segment assets, liabilities and depreciation relates to investment properties, other investments, current tax assets and deferred tax liabilities.

The entire e-Logistics segment is attributed to the financial results and position attained by Postlink, which has a currency denomination in SGD whilst the CyberSecurity segment includes the financial results and position of PT SysArmy with has a currency denomination in IDR.

The segmental results based on geographical segments are as follows:

Six (6) Months Financial Period Ended 30 September 2018

	Malaysia RM'000	North Asia and Other Areas RM'000	South East Asia RM'000	Total RM'000
Revenue from external customers	6,491	1,387	7,856	15,734
Segment assets	58,822	2,121	3,789	64,732
Capital and development expenditure	2,185	-	-	2,185

The segmental results of South East Asia include revenue and assets of Postlink and PT SysArmy, whilst the segment assets of North Asia and Other Areas includes assets of Syscatech, Inc.

19. Current Year Prospects

2019 is expected to continue to post challenges to the Group with the uncertainty surrounding the economic development in the region. The Group will continue to focus on maintaining its market share in the e-business solutions segment whilst further creating awareness for its CyberSecurity solutions and services; and its blockchain solutions for the remaining financial quarters of the FYE 31 March 2019

20. Variance of Actual Profit from Profit Forecast

The Group did not announce or provide any profit estimate, forecast, projection, internal targets for the FYE 31 March 2019.

21. Tax Expense

	CURRENT QUARTER ENDED 30.09.2018 RM'000	CURRENT PERIOD TO- DATE 30.09.2018 RM'000
Income Tax		
- Malaysian Tax	100	300
- Foreign Tax	9	177
- Deferred Tax	75	75
	<u>184</u>	<u>552</u>

The Group's effective tax rate for the current financial quarter approximate the statutory tax rate and is mainly attributed to:

- the lower statutory tax rate in which Postlink is subjected to in Singapore;
- the Pioneer Status of Mobysys which had just expired on 15 June 2018; and
- the Pioneer Status Incentive under the Promotion of Investments Act, 1986 enjoyed by SysArmy for 100% income tax exemption on statutory income derived from its MSC Malaysia Qualifying Activities for a period of five (5) years until 19 September 2021

22. Status of Corporate Proposals

There are no corporate proposals announced or outstanding as at the date of this Report.

23. Borrowings and Debts Securities

As at 30 September 2018

	Long Term		Short term		Total	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
<i>Secured</i>						
- Term loan	-	5,895	76	528	76	6,423
- Hire purchase	-	288	-	200	-	488
						6,911
					Gearing ratio (times)	0.13

As at 30 September 2017

	Long Term		Short term		Total	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
<i>Secured</i>						
- Term loan	156	6,402	67	775	223	7,177
- Hire purchase	-	228	-	151	-	379
						7,556
					Gearing ratio (times)	0.15

Other than Postlink's borrowings of SGD76,000 and monthly repayments of the said borrowings, there are no other foreign denominated borrowings, unsecured borrowings or significant changes in the level of borrowings of the Group. The Ringgit Malaysia term loans bear interest at 4.70% to 5.10% per annum, the SGD term loans bear interest at 6.00% to 9.50% per annum whilst the effective rate implicit in the hire purchase is at 4.50% to 5.39% per annum.

24. Changes in Material Litigation

The Group does not have any material litigation which would materially and adversely affect the financial position of the Group as at the date of this Report.

25. Dividends

No dividend has been recommended during the financial period under review.

26. Basic earnings per Share

	CURRENT QUARTER ENDED		CURRENT PERIOD TO-DATE	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Basic earnings per share				
Profit after tax attributable to owners of the parent (RM'000)	408	239	1,195	647
Weighted average number of ordinary shares in issue ('000)	347,708	327,461	347,708	322,400
Basic earnings per share (sen)	0.12	0.07	0.34	0.20

By the Order of the Board

Company Secretary

Dated this 27th Day of November 2018.