



SYSTECH BHD 897114-T

Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

(the figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31.12.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2017 RM'000	CURRENT PERIOD TO-DATE 31.12.2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2017 RM'000
Revenue	6,467	6,731	22,201	15,368
Amortisation of research and development expenses	(714)	(760)	(2,113)	(1,922)
Other cost of sales	(2,310)	(3,130)	(8,871)	(6,708)
Gross profit	3,443	2,841	11,217	6,738
Interest income	60	21	114	97
Other income	20	25	70	84
Administration expenses	(1,438)	(984)	(4,375)	(2,359)
Depreciation	(266)	(281)	(761)	(716)
Impairment of goodwill	(319)	(156)	(956)	(469)
Selling and distribution expenses	(375)	(488)	(1,142)	(1,074)
Provision for doubtful debts	-	-	(50)	-
Gain/(Loss) on foreign exchange	2	(3)	6	12
Gain/(Loss) on disposal property, plant and equipment	(1)	-	(1)	-
Other operating expenses	(327)	(334)	(904)	(854)
Profit from operations	799	641	3,218	1,459
Finance cost	(85)	(97)	(262)	(258)
Profit before tax	714	544	2,956	1,201
Income tax expenses	(209)	(91)	(761)	(133)
Profit after tax	505	453	2,195	1,068
Other comprehensive (expense)/income	3	(355)	500	(531)
Profit for the period	508	98	2,695	537
Profit after tax attributable to:-				
- Owners of the parent	474	473	1,669	1,120
- Non-controlling Interest	31	(20)	526	(52)
	505	453	2,195	1,068
Profit for the period attributable to:-				
- Owners of the parent	477	128	2,123	607
- Non-controlling Interest	31	(30)	572	(70)
	508	98	2,695	537
Earnings per share ("EPS") attributable to owners of the parent (sen per share)				
Basic	0.14	0.14	0.48	0.34
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 31 DECEMBER 2018

(the figures have not been audited)

	UNAUDITED AS AT 31.12.2018 RM'000	AUDITED AS AT 31.03.2018 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	5,876	6,230
Goodwill on consolidation	32,401	32,977
Investment properties	3,511	3,567
Development expenditure	9,048	8,493
Other investment	251	251
Deferred tax assets	67	67
TOTAL NON-CURRENT ASSETS	51,154	51,585
CURRENT ASSETS		
Inventory	2	29
Trade receivables	5,550	6,535
Other receivables, deposits and prepayments	500	513
Current tax assets	399	186
Fixed deposits with licensed financial institution	265	500
Short term deposits with licensed financial institutions	874	2,408
Cash and bank balances	6,196	2,893
TOTAL CURRENT ASSETS	13,786	13,064
TOTAL ASSETS	64,940	64,649
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	43,882	43,882
Retained earnings	9,658	7,989
Exchange translation reserves	(506)	(960)
Treasury Shares	(362)	(362)
	52,672	50,549
Non-controlling interest	1,429	1,669
TOTAL EQUITY	54,101	52,218
NON-CURRENT LIABILITIES		
Borrowings	6,073	6,471
Deferred tax liabilities	326	251
TOTAL NON-CURRENT LIABILITIES	6,399	6,722
CURRENT LIABILITIES		
Trade payables	867	1,692
Other payables and accruals	1,733	2,403
Amount owing to directors	553	533
Provision for taxation	693	175
Borrowings	594	906
TOTAL CURRENT LIABILITIES	4,440	5,709
TOTAL LIABILITIES	10,839	12,431
TOTAL EQUITY AND LIABILITIES	64,940	64,649
NET ASSETS PER SHARE (SEN)	15.56	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 accompanying 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 31 DECEMBER 2018**

(the figures have not been audited)

	←-----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 2018	43,882	7,989	(362)	(960)	50,549	1,669	52,218
Total comprehensive income for the financial period	-	1,669	-	454	2,123	(240)	1,883
Balance as at 31 December 2018	43,882	9,658	(362)	(506)	52,672	1,429	54,101

	←-----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	-	1,120	-	(513)	607	(70)	537
Issuance of new shares	12,148	-	-	-	12,148	-	12,148
Acquisition of new subsidiaries	-	-	-	-	-	999	999
Balance as at 31 December 2017	43,882	7,711	(306)	(516)	50,771	1,333	52,104

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 31 DECEMBER 2018**

(the figures have not been audited)

	CUMULATIVE QUARTERS	
	CURRENT PERIOD TO-DATE 31.12.2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,956	1,201
Adjustment for non-cash items	4,198	3,022
Operating profit before changes in working capital	7,154	4,223
Decrease /(Increase) in trade receivables	936	(1,165)
Other net changes in assets	41	43
(Decrease)/Increase in trade payables	(826)	271
Other net changes in liabilities	(650)	(12)
Cash flow from operations	6,655	3,360
Tax paid	(382)	(55)
Net cash flow from operating activities	6,273	3,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(361)	(659)
Payment for development expenditure	(2,825)	(2,288)
Interest received	114	181
Cash outflow from acquisition of subsidiaries	-	(841)
Net cash flow used in investing activities	(3,072)	(3,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividend to minority shareholders of subsidiary	(815)	-
Purchase of treasury shares	-	(92)
Net changes in hire purchase payables	(159)	193
Interest paid	(262)	(229)
Net changes in term loan	(551)	(362)
Net cash flow used in financing activities	(1,787)	(490)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,414	(792)
<i>Effect of changes in exchange rate</i>	120	(108)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	5,801	7,304
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	7,335	6,404
The cash and cash equivalents at the end of the reporting period comprised of the following:-		
Fixed deposits with licensed financial institution	265	500
Short term deposits with licensed financial institutions	874	2,042
Cash and bank balances	6,196	3,862
	7,335	6,404

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 31 DECEMBER 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

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 31.12.2018 RM'000	As at 31.03.2018 RM'000
Corporate guarantees given to banks as securities for credit facilities granted to a subsidiary	<u>6,284</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 31 DECEMBER 2018**

PART B: ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

16. Review of Performance

The Group recorded RM6.467 million of revenue and a profit after taxation of RM0.505 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 Group's performance for the quarter under review against the corresponding quarter of the previous financial year is as follows:-

	INDIVIDUAL QUARTER				CUMULATIVE PERIOD			
	CURRENT YEAR	PRECEDING YEAR	Changes		CURRENT PERIOD TO-DATE	PRECEDING YEAR CORRESPONDING PERIOD	Changes	
	QUARTER	QUARTER	RM'000	%	DATE	PERIOD	RM'000	%
	31.12.2018	31.12.2017			31.12.2018	31.12.2017	RM'000	
Revenue	6,467	6,731	(264)	(3.92)	22,201	15,368	6,833	44.46
Gross profit	3,443	2,841	602	21.19	11,217	6,738	4,479	66.47
Profit before interest and tax	799	641	158	24.65	3,218	1,459	1,759	120.56
Profit before tax	714	544	170	31.25	2,956	1,201	1,755	146.13
Profit after tax	505	453	52	11.48	2,195	1,068	1,127	105.52
Attributable to owners of the parent	474	473	1	0.21	1,669	1,120	549	49.02

Although the e-Logistics segment recorded lower revenue for the current quarter under review, this was partially mitigated by the increase in revenue of the e-Business solutions and CyberSecurity segments. The e-Business solutions and CyberSecurity segment record higher gross profit margin resulting in higher 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 and henceforth, there were no material provision for, or write off of trade receivables during the period under review.

17. Variation of Results against Preceding Quarter

	INDIVIDUAL QUARTER			
	CURRENT	IMMEDIATE	Changes	
	YEAR	PRECEDING		
	QUARTER	QUARTER	RM'000	%
	31.12.2018	30.09.2018		
	RM'000	RM'000		
Revenue	6,467	6,667	(200)	(3.00)
Gross profit	3,443	3,727	(284)	(7.62)
Profit before interest and tax	799	769	30	3.90
Profit before tax	714	681	33	4.85
Profit after tax	505	497	8	1.61
Attributable to owners of the parent	474	408	66	16.18

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 and partially mitigated by the increase in the CyberSecurity segment during the said period. Despite lower gross margin recorded during the said period, the increase in profit after tax is mainly due to lower expenses recorded 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:

Nine (9) Months Financial Period Ended 31 December 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	9,386	4,465	8,350	-	22,201
Segment results	1,866	259	979	-	3,104
Interest income					114
Financing cost					(262)
Profit before taxation					2,956
Tax Expenses					(761)
Profit after taxation					2,195
Segment assets	53,704	5,225	1,851	4,161	64,940
Segment liabilities	7,985	1,837	691	326	10,839
Capital and development expenditure	2,200	986	-	-	3,186
Depreciation	549	203	9	-	761

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:

Nine (9) Months Financial Period Ended 31 December 2018

	Malaysia RM'000	North Asia and Other Areas RM'000	South East Asia RM'000	Total RM'000
Revenue from external customers	8,747	2,139	11,315	22,201
Segment assets	59,854	1,452	3,635	64,940
Capital and development expenditure	3,186	-	-	3,186

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

With the current economic climate in the region, the Group will continue to focus on maintaining its market share in the e-business solutions segment, further expanding the CyberSecurity segment; and continuing its research and development on its blockchain solutions for the remaining financial quarter of the FYE 31 March 2019 and into the new financial year.

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 31.12.2018 RM'000	CURRENT PERIOD TO- DATE 31.12.2018 RM'000
Income Tax		
- Malaysian Tax	200	500
- Foreign Tax	9	186
- Deferred Tax	-	75
	<u>209</u>	<u>761</u>

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

- the expiration of the Pioneer Status of Mobysys on 15 June 2018; and
- certain expenses being disallowed for tax purposes.

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 31 December 2018

	Long Term		Short term		Total	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Secured						
- Term loan	-	5,815	38	417	38	6,232
- Hire purchase	-	258	-	177	-	435
						6,667
					Gearing ratio (times)	0.12

As at 31 December 2017

	Long Term		Short term		Total	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Secured						
- Term loan	40	6,239	146	738	186	6,977
- Hire purchase	-	435	-	211	-	646
						7,623
					Gearing ratio (times)	0.15

Other than Postlink's borrowings of SGD38,000 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Basic earnings per share				
Profit after tax attributable to owners of the parent (RM'000)	474	473	1,669	1,120
Weighted average number of ordinary shares in issue ('000)	347,708	347,708	347,708	330,836
Basic earnings per share (sen)	0.14	0.14	0.48	0.34

By the Order of the Board

Company Secretary

Dated this 29th Day of January 2019.