



SYSTECH BHD 897114-T

Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

(the figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30.06.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2018 RM'000	CURRENT PERIOD TO-DATE 30.06.2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2018 RM'000
CONTINUING OPERATIONS				
Revenue	8,672	9,067	8,672	9,067
Amortisation of research and development expenses	(799)	(679)	(799)	(679)
Other cost of sales	(4,239)	(4,341)	(4,239)	(4,341)
Gross profit	3,634	4,047	3,634	4,047
Interest income	29	26	29	26
Other income	15	27	15	27
Administration expenses	(1,289)	(1,617)	(1,289)	(1,617)
Depreciation	(251)	(225)	(251)	(225)
Impairment of goodwill	(319)	(157)	(319)	(157)
Selling and distribution expenses	(414)	(115)	(414)	(115)
Provision for doubtful debts	(25)	(50)	(25)	(50)
Gain/(Loss) on foreign exchange	2	2	2	2
Gain/(Loss) on disposal property, plant and equipment	-	-	-	-
Other operating expenses	(399)	(287)	(399)	(287)
Profit from operations	983	1,651	983	1,651
Finance cost	(79)	(89)	(79)	(89)
Profit before tax from continuing operations	904	1,562	904	1,562
Income tax expenses	(163)	(368)	(163)	(368)
Profit after tax from continuing operations	741	1,194	741	1,194
Discontinued operations				
Loss from discontinued operation, net of tax	(3)	-	(3)	-
Profit after tax	738	1,194	738	1,194
Other comprehensive income	173	109	173	109
Total comprehensive income for the period	911	1,303	911	1,303
Profit after tax attributable to:-				
- Owners of the parent	295	787	295	787
- Non-controlling Interest	443	407	443	407
	738	1,194	738	1,194
Total comprehensive income for the period attributable to:-				
- Owners of the parent	442	881	442	881
- Non-controlling Interest	469	422	469	422
	911	1,303	911	1,303
Earnings per share attributable to owners of the parent (sen per share)				
Basic				
- continuing operations	0.08	0.23	0.08	0.23
- discontinued operation	(0.00)	-	(0.00)	-
	0.08	0.23	0.08	0.23
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 2019. 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 JUNE 2019

(the figures have not been audited)

	UNAUDITED AS AT 30.06.2019 RM'000	AUDITED AS AT 31.03.2019 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	5,485	5,597
Goodwill on consolidation	31,779	31,983
Investment properties	3,472	3,491
Development expenditure	9,418	9,330
Other investment	261	261
Deferred tax assets	67	67
TOTAL NON-CURRENT ASSETS	50,482	50,729
CURRENT ASSETS		
Inventory	2	10
Trade receivables	4,678	6,494
Other receivables, deposits and prepayments	340	351
Current tax assets	736	241
Fixed deposits with licensed financial institution	263	260
Short term deposits with licensed financial institutions	3,710	3,210
Cash and bank balances	4,004	2,229
Assets of non-current assets classified as held for sale	59	49
TOTAL CURRENT ASSETS	13,792	12,844
TOTAL ASSETS	64,274	63,573
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	43,882	43,882
Retained earnings	8,684	8,389
Exchange translation reserves	(484)	(631)
Treasury Shares	(376)	(376)
	51,706	51,264
Non-controlling interest	2,302	1,833
TOTAL EQUITY	54,008	53,097
NON-CURRENT LIABILITIES		
Borrowings	5,855	5,972
Deferred tax liabilities	424	424
TOTAL NON-CURRENT LIABILITIES	6,279	6,396
CURRENT LIABILITIES		
Trade payables	1,047	1,369
Other payables and accruals	1,238	1,482
Amount owing to directors	334	480
Provision for taxation	883	207
Borrowings	441	494
Liabilities of non-current assets classified as held for sale	44	48
TOTAL CURRENT LIABILITIES	3,987	4,080
TOTAL LIABILITIES	10,266	10,476
TOTAL EQUITY AND LIABILITIES	64,274	63,573
NET ASSETS PER SHARE (SEN)	15.53	15.27

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2019. 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 JUNE 2019**

(the figures have not been audited)

Three (3) months ended 30 June 2019	←-----ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY-----→				TOTAL RM'000	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			
Balance as at 1 April 2019	43,882	8,389	(376)	(631)	51,264	1,833	53,097
Total comprehensive income for the financial period	-	295	-	147	442	469	911
Balance as at 30 June 2019	43,882	8,684	(376)	(484)	51,706	2,302	54,008
Three (3) months ended 30 June 2018	←-----ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY-----→				TOTAL RM'000	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				
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	-	787	-	94	881	422	1,303
Balance as at 30 June 2018	43,882	8,776	(362)	(866)	51,430	2,091	53,521

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 2019. 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 JUNE 2019**

(the figures have not been audited)

	CUMULATIVE QUARTERS	
	CURRENT PERIOD TO-DATE 30.06.2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		
- continuing operations	904	1,562
- discontinued operation	(3)	-
Adjustment for non-cash items	1,483	1,192
Operating profit before changes in working capital	2,384	2,754
Decrease /(Increase) in trade receivables	1,793	(227)
Other net changes in assets	18	(277)
Decrease in trade payables	(271)	(900)
Other net changes in liabilities	(441)	42
Cash flow from operations	3,483	1,392
Tax refund/(paid)	19	(113)
Net cash flow from operating activities	3,502	1,279
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(125)	(22)
Payment for development expenditure	(922)	(941)
Interest received	29	26
Non-current assets held for sale	(15)	-
Net cash flow used in investing activities	(1,033)	(937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in hire purchase payables	(55)	(52)
Interest paid	(79)	(89)
Net changes in term loan	(116)	(182)
Net cash flow used in financing activities	(250)	(323)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,219	19
<i>Effect of changes in exchange rate</i>	59	54
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	5,699	5,801
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	7,977	5,874
The cash and cash equivalents at the end of the reporting period comprised of the following:-		
Fixed deposits with licensed financial institution	263	-
Short term deposits with licensed financial institutions	3,710	2,222
Cash and bank balances	4,004	3,652
	7,977	5,874

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2019. 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 JUNE 2019

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 2019.

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 2019.

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 2019 except for those standards, amendments and IC Interpretation, which are effective for financial period beginning on or after 1 April 2019 and are applicable to the Group. The adoption of these new MFRSs do not have any significant effect on the financial statements of the Group.

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 2019.

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 2019 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 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 30.06.2019 RM'000	As at 31.03.2019 RM'000
Corporate guarantees given to banks as securities for credit facilities granted to a subsidiary	<u>5,954</u>	<u>6,027</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 JUNE 2019

PART B: ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

16. Review of Performance

The Group recorded RM8.672 million of revenue and a profit after taxation of RM0.741 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	%	PERIOD DATE	PERIOD	RM'000	%
	30.06.2019	30.06.2018			30.06.2019	30.06.2018		
Revenue	8,672	9,067	(395)	(4.36)	8,672	9,067	(395)	(4.36)
Gross profit	3,634	4,047	(413)	(10.21)	3,634	4,047	(413)	(10.21)
Profit before interest and tax	983	1,651	(668)	(40.46)	983	1,651	(668)	(40.46)
Profit before tax	904	1,562	(658)	(42.13)	904	1,562	(658)	(42.13)
Profit after tax	741	1,194	(453)	(37.94)	741	1,194	(453)	(37.94)
Attributable to owners of the parent	295	787	(492)	(62.52)	295	787	(492)	(62.52)

The decrease in revenue was mainly due to the e-Business solutions and e-Logistics segments recording lower revenue for the current quarter under review, which was partially mitigated by the increase in revenue of the CyberSecurity segments. Gross profit margins have declined for the e-Business solutions and e-Logistic segments during the current quarter under review resulting in lower gross profit and profit after taxation 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, 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 73% 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 YEAR QUARTER 30.06.2019 RM'000	IMMEDIATE PRECEDING QUARTER 31.03.2019 RM'000	Changes	
			RM'000	%
Revenue	8,672	6,252	2,420	38.71
Gross profit	3,634	2,948	686	23.27
Profit/(Loss) before interest and tax	983	(504)	1,487	N/A
Profit/(Loss) before tax	904	(590)	1,494	N/A
Profit/(Loss) after tax	741	(767)	1,508	N/A
Attributable to owners of the parent	295	(1,254)	1,549	N/A

Revenue for the quarter under review had increased significantly as compared to the immediate preceding quarter mainly due to the increase in contribution from all business segments. Although lower gross margin was recorded during the said period, the profit after tax was achieved due to the increase in revenue and lower expenses incurred.

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:

Three (3) Months Financial Period Ended 30 June 2019

	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	2,273	1,858	4,541	-	8,672
Segment results	114	120	1,039	(319)	954
Interest income					29
Financing cost					(79)
Profit before taxation					904
Tax Expenses					(163)
Profit after taxation					741
Segment assets	19,485	5,244	3,296	36,249	64,274
Segment liabilities	7,747	1,278	817	424	10,266
Capital and development expenditure	623	424	-	-	1,047
Depreciation	177	71	3	-	251

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 which has a currency denomination in IDR.

The segmental results based on geographical segments are as follows:

Three (3) Months Financial Period Ended 30 June 2019

	Malaysia RM'000	North Asia and Other Areas RM'000	South East Asia RM'000	Total RM'000
Revenue from external customers	2,254	232	6,186	8,672
Segment assets	58,767	1,245	4,262	64,274
Capital and development expenditure	1,047	-	-	1,047

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

Although the Group had managed to turnaround its overall financial performance as compared to the previous financial quarter, there remain challenges faced by the Group for the remaining quarters of the FYE 31 March 2020. The Group will continue its efforts to expand its marketing efforts and further grow its business segments.

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 2020.

21. Tax Expense

	CURRENT QUARTER ENDED 30.06.2019 RM'000	CURRENT PERIOD TO- DATE 30.06.2019 RM'000
Income Tax		
- Malaysian Tax	-	-
- Foreign Tax	163	163
- Deferred Tax	-	-
	<u>163</u>	<u>163</u>

No tax provision were made for the Malaysia operations whilst the provision for foreign income tax mainly related to the tax provision of the e-Logistics segment.

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 June 2019

	Long Term		Short term		Total	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Secured						
- Term loan	-	5,658	-	312	-	5,970
- Hire purchase	-	197	-	129	-	326
						6,296
					Gearing ratio (times)	0.12

As at 30 June 2018

	Long Term		Short term		Total	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Secured						
- Term loan	-	5,979	113	623	113	6,602
- Hire purchase	-	326	-	215	-	541
						7,143
					Gearing ratio (times)	0.13

There are no 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 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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Basic earnings per share				
Profit after tax attributable to owners of the parent (RM'000)	295	787	295	787
Weighted average number of ordinary shares in issue ('000)	347,708	347,708	347,708	347,708
Basic earnings per share (sen)	0.08	0.23	0.08	0.23

By the Order of the Board

Company Secretary

Dated this 31st Day of July 2019.