



**AZEUS SYSTEMS HOLDINGS LTD.**

**Unaudited Full Year Financial Statement And Dividend Announcement  
for the year ended 31 March 2008**

**Part 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL  
YEAR RESULTS**

**1(a) An income statement (for the group) together with a comparative statement for  
the corresponding period of the immediately preceding financial year**

**Azeus Systems Holdings Ltd.**

**Group Income Statement for the financial year ended 31 March 2008**

**(Expressed in Hong Kong Dollars)**

	<u>The Group</u>		
	FY2008	FY2007	+ / ( - )
	(Apr-Mar 08)	(Apr-Mar 07)	
	HK\$'000	HK\$'000	%
Sales	75,390	92,300	(18)
Cost of sales	<b>(42,810)</b>	(56,799)	(25)
	=====	=====	
Gross profit	<b>32,580</b>	35,501	(8)
Other gains	<b>4,828</b>	2,288	111
Selling and marketing expenses	<b>(9,745)</b>	(8,924)	9
Administrative and other operating expenses	<b>(18,717)</b>	(15,388)	22
Share of loss of a joint venture	<b>(821)</b>	-	N/M
	=====	=====	
Profit before tax	<b>8,125</b>	13,477	(40)
Income tax expense	<b>(934)</b>	(2,807)	(67)
	=====	=====	
Net profit	<b>7,191</b>	10,670	(33)
	=====	=====	
Earnings per share (basic and diluted)	<b>2.40 cents</b>	3.56 cents	
	=====	=====	

**Azeus Systems Holdings Ltd.**  
**Group Income Statement for the financial year ended 31 March 2008**  
**(Expressed in Hong Kong Dollars)**

<b>Expenses included in cost of sales, selling and marketing expenses and administrative and other operating expenses are analysed as follows:</b>			
Depreciation of property, plant and equipment	<b>(616)</b>	(641)	(4)
Legal and professional fee	<b>(1,175)</b>	(1,251)	(6)
Rental expense – operating lease	<b>(2,959)</b>	(2,291)	29
Employee benefits (including directors remuneration)	<b>(53,741)</b>	(50,662)	6
Hardware and software	<b>(1,474)</b>	(13,233)	(89)
Repairs and maintenance	<b>(1,307)</b>	(1,315)	(1)
Licences	<b>(947)</b>	(2,101)	(55)
Other expenses	<b>(9,053)</b>	(9,617)	(6)
	=====	=====	
Total cost of sales, selling and marketing and administrative expenses	<b>(71,272)</b>	(81,111)	(12)
	=====	=====	

<b>Income tax</b>			
Current income tax	<b>(1,551)</b>	(2,769)	(44)
Deferred income tax	<b>688</b>	(202)	(441)
(Under)/overprovision of tax in prior years	<b>(71)</b>	164	(143)
	=====	=====	
Income tax expenses	<b>(934)</b>	(2,807)	(67)

**Note: N/M = not meaningful**

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

**Azeus Systems Holdings Ltd.**

**Balance Sheet as at 31 March 2008**

**(Expressed in Hong Kong Dollars)**

	<u>The Group</u>			<u>The Company</u>		
	31 March 2008	31 March 2007	+ / (-)	31 March 2008	31 March 2007	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Current assets</b>						
Cash and cash equivalents	62,499	75,624	(17)	408	615	(34)
Pledged bank deposits	2,037	-	N/M	-	-	-
Time deposits with original maturity over three months	10,543	-	N/M	-	-	-
Trade and other receivables	14,760	21,492	(31)	66,014	69,458	(5)
Unbilled revenue on service contracts	24,611	21,277	16	-	-	-
Current income tax assets	1,567	1,318	19	-	-	-
Amount due from a joint venture	81	-	N/M	-	-	-
	<u>116,098</u>	<u>119,711</u>		<u>66,422</u>	<u>70,073</u>	
<b>Non-current assets</b>						
Available-for-sale financial assets	4,648	4,191	11	-	-	-
Investment in subsidiaries	-	-	-	45,575	46,054	(1)
Investment in a joint venture	739	-	N/M	1,560	-	N/M
Property, plant and equipment	840	1,145	(27)	-	-	-
Deferred tax assets	688	-	N/M	-	-	-
Refundable deposit	209	-	N/M	-	-	-
	<u>7,124</u>	<u>5,336</u>		<u>47,135</u>	<u>46,054</u>	
<b>Total assets</b>	<b>123,222</b>	<b>125,047</b>		<b>113,557</b>	<b>116,127</b>	

**Azeus Systems Holdings Ltd.**  
**Balance Sheet as at 31 March 2008**  
**(Expressed in Hong Kong Dollars)**

	<u>The Group</u>			<u>The Company</u>		
	31 March 2008	31 March 2007	+ / (-)	31 March 2008	31 March 2007	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Current liabilities</b>						
Trade and other payables	9,060	8,580	6	2,327	749	211
Current income tax liabilities	68	-	N/M	-	-	-
	9,128	8,580		2,327	749	
<b>Non-current liability</b>						
Provision for retirement benefit	577	329	75	-	-	-
	577	329		-	-	
<b>Total liabilities</b>	<b>9,705</b>	<b>8,909</b>		<b>2,327</b>	<b>749</b>	
<b>Net assets</b>	<b>113,517</b>	<b>116,138</b>		<b>111,230</b>	<b>115,378</b>	
<b>REPRESENTED BY:</b>						
Share capital	46,800	46,800	-	46,800	46,800	-
Share premium	56,489	56,489	-	56,726	56,726	-
Foreign currency translation reserve	102	132	(23)	-	-	-
Other reserves	1,291	482	168	-	-	-
Retained earnings	8,835	12,235	(28)	7,704	11,852	(35)
	113,517	116,138		111,230	115,378	

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

The Group had no bank borrowings or debt securities as at 31 March 2008 and 31 March 2007.

**1(c) A cash flow statement (for the group), together with a comparative statement for corresponding period of the immediately preceding financial year**

	<b>The Group</b>	
	<b>FY2008</b>	<b>FY2007</b>
	<b>(Apr-Mar 2008)</b>	<b>(Apr-Mar 2007)</b>
<b>Cash flows from operating activities</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Net profit	7,191	10,670
Adjustments for:		
Income tax expense	934	2,807
Depreciation of property, plant and equipment	616	641
Loss on disposal of property, plant and equipment	32	-
Interest income	(2,584)	(1,672)
Share of loss of a joint venture	821	-
Dividend income from available-for-sale financial assets	(140)	(40)
Employee share-based compensation costs	352	511
Provision for retirement benefit	806	283
Exchange differences	(101)	59
	=====	=====
<b>Operating cash flow before working capital change</b>	<b>7,927</b>	<b>13,259</b>
<b>Change in working capital</b>		
Trade and other receivables	6,732	(13,318)
Unbilled revenue on service contracts	(3,334)	34,348
Amount due from a joint venture	(1,641)	-
Refundable deposits	(209)	-
Inventories	-	3,146
Trade and other payables	480	(2,730)
	=====	=====
<b>Cash generated from operations</b>	<b>9,955</b>	<b>34,705</b>
Income tax paid	(1,803)	(5,531)
	=====	=====
<b>Net cash provided by operating activities</b>	<b>8,152</b>	<b>29,174</b>

1(c) A cash flow statement (for the group), together with a comparative statement for corresponding period of the immediately preceding financial year (continued)

	<b>The Group</b>	
	<b>FY2008</b>	<b>FY2007</b>
	<b>(Apr-Mar 2008)</b>	<b>(Apr-Mar 2007)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(228)	(330)
Increase in deposits with original maturity over three months	(10,543)	-
Increase in pledged bank deposits	(2,037)	-
Interest received	2,584	1,672
Dividend received from available-for-sale financial assets	140	40
Contributions to retirement fund	(602)	-
	=====	=====
<b>Net cash (used in) / provided by investing activities</b>	<b>(10,686)</b>	<b>1,382</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	(10,591)	(14,754)
	=====	=====
<b>Net cash used in financing activities</b>	<b>(10,591)</b>	<b>(14,754)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(13,125)</b>	<b>15,802</b>
Cash and cash equivalents at the beginning of the financial year	75,624	59,822
	=====	=====
<b>Cash and cash equivalents at the end of the financial year</b>	<b>62,499</b>	<b>75,624</b>
	=====	=====

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital	Share Premium	Foreign Currency Translation Reserve	Other reserves	Retained Profits	Total
<b>Group</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2007	46,800	56,489	132	482	12,235	116,138
Fair value gain on available-for-sale-financial assets	-	-	-	457	-	457
Currency translation difference	-	-	(30)	-	-	(30)
Net profit for the year	-	-	-	-	7,191	7,191
	=====	=====	=====	=====	=====	=====
Total recognised gains	-	-	(30)	457	7,191	7,618
Employee share-based cost (note)	-	-	-	352	-	352
FY 2007 dividends paid	-	-	-	-	(10,591)	(10,591)
	=====	=====	=====	=====	=====	=====
Balance as at 31 March 2008	46,800	56,489	102	1,291	8,835	113,517
	=====	=====	=====	=====	=====	=====
Balance as at 1 April 2006	46,800	56,489	41	(69)	16,319	119,580
Fair value gain on available-for-sale-financial assets	-	-	-	40	-	40
Currency translation difference	-	-	91	-	-	91
Net profit for the year	-	-	-	-	10,670	10,670
	=====	=====	=====	=====	=====	=====
Total recognised gains	-	-	91	40	10,670	10,801
Employee share-based cost (note)	-	-	-	511	-	511
FY 2006 dividends paid	-	-	-	-	(14,754)	(14,754)
	=====	=====	=====	=====	=====	=====
Balance as at 31 March 2007	46,800	56,489	132	482	12,235	116,138
	=====	=====	=====	=====	=====	=====

Note: As mentioned in the IPO prospectus dated 13 October 2004, the Managing Director and controlling shareholder, Mr Lee Wan Lik will implement a share grant incentive for certain of their key employees as a reward for their past contribution to the Group and as well as incentivise them going forward. Pursuant to the share grant incentive, in FY 2008, Mr Lee Wan Lik transferred 627,132 shares (FY 2007:1,483,097 shares) from his personal shareholding to the employees.

	Share Capital	Share Premium	Retained Profits	Total
<b>Company</b>				
Balance as at 1 April 2007	46,800	56,726	11,852	115,378
Total recognised gains - Net profit for the year	-	-	6,443	6,443
FY 2007 dividends paid	-	-	(10,591)	(10,591)
	=====	=====	=====	=====
Balance as at 31 March 2008	46,800	56,726	7,704	111,230
	=====	=====	=====	=====
Balance as at 1 April 2006	46,800	56,726	16,651	120,177
Total recognised gains - Net profit for the year	-	-	9,955	9,955
FY 2006 dividends paid	-	-	(14,754)	(14,754)
	=====	=====	=====	=====
Balance as at 31 March 2007	46,800	56,726	11,852	115,378
	=====	=====	=====	=====

**1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

Not applicable

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited, or reviewed, the auditor's report (including any qualifications or emphasis of matter)**

Not applicable.



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**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

In FY 2008, the Group adopted the new or amended FRSs and Interpretations to FRS ("INT FRS") that are mandatory for application in the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The following are the new or amended FRS and INT FRS that are relevant to the Group:

Amendments to FRS 1 Presentation of Financial Statements – Capital disclosures  
FRS 107 Financial Instruments: Disclosure

The adoption of the above FRS and INT FRS did not result in any substantial changes to the Group's accounting policies.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.**

Not applicable.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	The Group	
	FY2008	FY2007
Net profit of the Group (HK\$'000)	7,191	10,670
Weighted average number of shares ('000)	300,000	300,000
- Basic earnings per share (HK cents)	2.40	3.56
- Fully diluted earnings per share (HK cents)	2.40	3.56

Fully diluted earnings per share is similar to the basic earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 31 March 2008 and 31 March 2007.

7. Net asset value (for the issuer and the group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year

	<u>The Group</u>		<u>The Company</u>	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	HK cents	HK cents	HK cents	HK cents
Net asset value per ordinary share based on the existing share capital as at 31 March 2008 and 31 March 2007 respectively	37.84	38.71	37.08	38.46

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; (b) any material factors that affected the cash flow, working capital, assets or liabilities, of the group during the current financial period reported on.

#### Income statement

##### a. Revenue

	FY2008	FY2007	+ / (-)
	(Apr-Mar 08)	(Apr-Mar 07)	
Revenue by business segment	HK\$'000	HK\$'000	%
IT Services, including sales of hardware and software	41,453	69,767	(41)
Maintenance and Support Services	24,562	14,646	68
Business Process Outsourcing (BPO)	9,375	7,887	19
Total	75,390	92,300	(18)

The Group derives its revenue from three core business areas – IT services, maintenance and support services, and business process outsourcing (BPO). The largest revenue contribution generally comes from IT services, for which contracts vary in size and scope. The extent of revenue recognition in each financial period is dependent on the stage of completion of the milestones for the development and implementation of the projects.

Group revenue decreased by 18% to HK\$75.4 million for FY2008 compared with FY2007 of HK\$92.3 million.

IT services remained the Group's major revenue contributor, accounting for 55% of total revenue for FY2008 (FY2007: 76%). The fees from IT services were lower in FY2008 because of fewer contracts secured and lower third party hardware sales of HK\$1.6 million in FY2008 compared to HK\$14.3 million in FY2007.

Fees from Maintenance and Support Services rose by 68% to HK\$24.6 million because of the increase in the number of contracts (from 35 contracts in FY2007 to 37 contracts in FY2008) and the size of maintenance and support service contracts. Many of these were either renewed or commenced in FY2008 following the expiry of the warranty periods for projects completed in FY2008.

Fees from BPO increased by 19% to HK\$9.4 million was due to the new BPO contract awarded by the Hong Kong government for a total contract sum of US\$10.2 million in December 2006. The chargeable hourly rates for headcount that was outsourced under this new contract were higher than that under its previous contract.

**b. Cost of Sales and Gross Profit Margin**

The Group's cost of sales decreased by HK\$14.0 million or 25% to HK\$42.8 million in FY2008 due mainly to:

- decrease in sale of third party hardware and software with relevant cost of HK\$12.9 million;
- decrease in third party consultancy fee of HK\$2.0 million payable to external consultants (on need basis) and
- offset by an increase in direct salaries of HK\$0.8 million

The gross margin increased 5 percentage points from 38% to 43% due to decrease in sale of third party hardware and software. The profit margin for providing third party hardware and software was lower than the profit margin of other IT services. Excluding third party hardware and software sales, the Group maintained the same gross margin of 44% in both FY2008 and FY2007.

**c. Other gains (net)**

Other gains comprised:	FY 2008 HK\$'000	FY 2007 HK\$'000	%
Interest income	2,584	1,672	55
Dividend income	140	40	250
Net foreign exchange gain	2,104	576	265
Total	4,828	2,288	111%

The increase of HK\$2.5 million in other gains for FY2008 as compared with FY2007 was mainly due to a rise in the net foreign exchange gain of HK\$1.5 million and interest income of HK\$0.9 million.

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**d. Administrative and other operating expenses**

Administrative and other operating expenses increased by 22% or HK\$3.3 million in FY2008 mainly due to the appreciation of the Peso. Total administrative and operating expenses from our Philippines office contributed 29% (FY2007: 24%) of total administrative and operating expenses. Strong Peso exchange rates accounted for an increase in cost as this resulted in an increase in administrative and operating expenses. The Peso has appreciated 21% (the average Peso – HK Dollar rate for the year was 0.1899 as compared against 0.1573 in the previous year).

**e. Net profit after taxation**

Despite the decrease in revenue by 18%, the Group achieved a net profit of HK\$7.2 million for FY2008. The Group's net profit margin decreased marginally from 11.5% in FY2007 to 9.5% in FY2008.

**Balance Sheets****a. Unbilled revenue on service contracts**

The increase in unbilled revenue on services contracts of HK\$3.3 million was due to the cost incurred on the new contracts secured in this financial year. As these contracts are still in the implementation stage, the milestone payments for these contracts have not been reached.

**b. Trade and other receivables**

Balance decreased from HK\$21.5 million to HK\$14.8 million by 31% mainly due to billing for smaller projects in the last 2 months of FY2008, compared to HK\$13.6 million billing for RCEP project in FY2007.

**c. Investment in a Joint Venture**

The Company has entered into a 50:50 joint venture to develop and sell training and learning management computer systems with an investment cost of US\$200,000 (HK\$1.6 million). The contributed sum of US\$200,000 each will serve as the initial capital for the purpose of research and development and general working capital.

**d. Share capital and reserves**

The Group's shareholders' equity decreased from HK\$116.1 million at the beginning of the year to HK\$112.9 million as at 31 March 2008, mainly due to the profit generated from operations of HK\$6.5 million in FY2008 which was offset by the payment of FY2007 final dividend of HK\$10.6 million.

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### **Cash flow Statement**

For the year ended 31 March 2008, the Group's cash inflow for operations was HK\$8.2 million. Tax paid during the period was HK\$1.8 million. Cash outflow for financing activities of HK\$10.6 million was primarily for the payment of the FY2007 final dividend in August 2007. Overall the Group maintained a strong cash position of HK\$75.1 million (including pledged deposit and deposit with maturity over three months of HK\$2.0 million and HK\$10.5 million respectively) as at 31 March 2008 compared to HK\$75.6 million as at 31 March 2007.

#### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Group issued a profit guidance for FY2008 on 31 January 2008, in which it stated that profits for FY2008 were expected to be lower than FY2007. The financial results for the financial year ended 31 March 2008 are consistent with the statements made in the profit guidance announcement.

#### **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Group sees several opportunities for growth in the market place and has concluded several million-dollar deals recently. The Group was able to secure two new IT services contracts for the one off implementation of IT system to the Social Welfare Department of HK\$60.7 million and Government Logistics Department of HK\$26.6 million of the Hong Kong Government for two years in November 2007 and in May 2008 respectively. These contracts will contribute towards the Group's FY 2009 and FY 2010 results.

The recent establishment of the new joint venture company is also expected to provide the Group with a new business segment as well as positive impact on the Group's performance in the longer term when the initial projects materialize.

Going forward, the Group will remain focused on sustaining its market share in the Hong Kong public sector by doing high value IT systems, while looking to diversify its risk by looking to penetrate new markets and pursuing investment opportunities regionally. The Group believes that its ability to handle large and complex systems using its global

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delivery model provides a compelling value proposition to its customers and will place it in a stronger position to capitalize in new business opportunities in the coming year.

## **11. Dividend**

### ***(a) Current Financial Period Reported On***

#### **Any dividend declared for the current financial period reported on?**

Name of Dividend	First and Final
Dividend Type	Cash
Dividend Rate	2.40 HK cents per ordinary share
Par value of shares	US\$0.02
Tax Rate	Not applicable (as Company is incorporated in Bermuda)

### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

#### **Any dividend declared for the corresponding period of the immediately preceding financial year?**

A final dividend was recommended and approved in respect of financial year ended 31 March 2007 of 3.56 HK cents. The final dividend amounting to HK\$10.6 million was paid in August 2007.

### ***(c) Date payable***

To be announced later

### ***(d) Books closure date***

To be announced later

## **12. If no dividend has been declared/recommended, a statement to that effect**

Not applicable

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**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

The activities of the Group are substantially in the information technology services industry and therefore, reporting by industry segment is not applicable. As the Group sales are predominantly derived in Hong Kong, there is no geographical segment information presented.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable

**15. A breakdown of sales**

	<u>The Group</u>		
	FY2008	FY2007	+ / ( - )
	HK\$'000	HK\$'000	%
Sales reported for first half year	34,522	41,341	(16)
Net profit after tax for first half year	2,133	3,614	(41)
Sales reported for second half year	40,868	50,959	(20)
Net profit after tax for second half year	5,058	7,056	(28)

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

	<u>The Group</u>		
	FY2008	FY2007	+ / ( - )
	HK\$'000	HK\$'000	%
Ordinary	7,191	10,670	(33)
Preference	-	-	-
Total	7,191	10,670	(33)

**BY ORDER OF THE BOARD**

**LEE WAN LIK**

**MANAGING DIRECTOR**

**29 May, 2008**