

**AZEUS SYSTEMS HOLDINGS LTD.**

(Company registration no. 35312)

**Unaudited Half Year Financial Statement and Dividend Announcement  
for the period ended 30 September 2008**

**Part 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF  
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 first half year ended 30 September 2008**

**(Expressed in Hong Kong Dollars)**

	<u>The Group</u>		
	1 <sup>st</sup> Half FY2009	1 <sup>st</sup> Half FY2008	+ / ( - )
	(Apr-Sep 2008)	(Apr-Sep 2007)	
	HK\$'000	HK\$'000	%
Sales	35,505	34,522	3
Cost of sales	(20,190)	(20,475)	(1)
	—————	—————	
Gross profit	15,315	14,047	9
Other gains - net	288	1,892	(85)
Share of loss of a joint venture	(280)	-	N/M
Selling and marketing expenses	(3,571)	(5,007)	(29)
Administrative and other operating expenses	(9,791)	(8,122)	21
	—————	—————	
Profit before tax	1,961	2,810	(30)
Income tax expense	(330)	(677)	(51)
	—————	—————	
Net profit	1,631	2,133	(24)
	—————	—————	
Earnings per share (basic and diluted)	HK\$0.005	HK\$0.007	
	—————	—————	

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

**Azeus Systems Holdings Ltd.**

**Group Income Statement for the first half year ended 30 September 2008**

**(Expressed in Hong Kong Dollars)**

<b>Note 1 – Expense by nature</b>			
Expenses included cost of sales, selling and marketing expenses and administrative and other operating expense are analysed as follow.			
	<b>The Group</b>		
	<b>1<sup>st</sup> Half FY2009</b>	<b>1<sup>st</sup> Half FY2008</b>	<b>+ / ( - )</b>
	<b>(Apr-Sep 2008)</b>	<b>(Apr-Sep 2007)</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
Hardware and software	-	1,497	(100)
Subcontracting fee	-	257	(100)
Depreciation of property, plant and equipment	188	258	(27)
Employee benefits expenses	24,743	24,456	1
Directors emoluments	445	489	(9)
Rental expenses- operating lease	2,098	1,229	71
Legal and professional fee	1,415	766	85
Repair and maintenance	1,142	754	51
Other expenses	3,521	3,898	(10)
	=====	=====	
Total cost of sales, selling and marketing and administrative expenses	33,552	33,604	-
	=====	=====	

**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 30 September 2008**  
**(Expressed in Hong Kong Dollars)**

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2008	31 Mar 2008	+ / (-)	30 Sep 2008	31 Mar 2008	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Current assets</b>						
Cash and cash equivalents	55,179	75,079	(27)	298	408	(27)
Trade and other receivables	13,095	14,760	(11)	55,729	66,014	(16)
Unbilled revenue on service contracts	32,291	24,611	(31)	-	-	-
Inventory	2,513	-	N/M	-	-	-
Amount due from a joint venture	1,868	81	2206	-	-	-
Current income tax assets	1,232	1,567	(21)	-	-	-
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	<b>106,178</b>	116,098	(9)	<b>56,027</b>	66,422	(16)
<b>Non-current assets</b>						
Available-for-sale financial assets	5,388	4,648	16	-	-	-
Refundable deposits	233	209	11	-	-	-
Investment in a joint venture	459	739	(38)	1,560	1,560	-
Investment in subsidiaries	-	-	-	45,575	45,575	-
Property, plant and equipment	793	840	(6)	-	-	-
Deferred income tax assets	685	688	-	-	-	-
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	<b>7,558</b>	7,124	6	<b>47,135</b>	47,135	-
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<b>Total assets</b>	<b>113,736</b>	123,222	(8)	<b>103,162</b>	113,557	(9)
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**Note: N/M =not meaningful**

**Azeus Systems Holdings Ltd.**  
**Balance Sheet as at 30 September 2008**  
**(Expressed in Hong Kong Dollars)**

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2008	31 Mar 2008	+ / ( - )	30 Sep 2008	31 Mar 2008	+ / ( - )
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Current liabilities</b>						
Trade and other payables	5,475	9,060	(40)	104	2,327	(96)
Current income tax liabilities	-	68	(100)	-	-	-
	—————	—————		—————	—————	
	5,475	9,128	(40)	104	2,327	(96)
<b>Non-current liability</b>						
Provision for retirement benefits	515	577	(11)	-	-	-
	—————	—————		—————	—————	
	515	577	(11)	-	-	-
	—————	—————		—————	—————	
<b>Total liabilities</b>	5,990	9,705	(38)	104	2,327	(96)
	—————	—————		—————	—————	
<b>Net assets</b>	107,746	113,517	(5)	103,058	111,230	(7)
	—————	—————		—————	—————	
<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	(67)	102	(166)	-	-	-
Other reserves	1,251	1,291	(3)	-	-	-
Retained earnings	3,273	8,835	(63)	(468)	7,704	(106)
	—————	—————		—————	—————	
	107,746	113,517	(5)	103,058	111,230	(7)
	—————	—————		—————	—————	

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

The Group had no bank borrowings or debt securities as at 30 September 2008 and 31 March 2008.

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

	<u>The Group</u>	
	1st Half FY2009	1st Half FY2008
	(Apr-Sep 2008)	(Apr-Sep 2007)
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Net profit	1,631	2,133
Adjustment for:		
Income tax expense	330	677
Depreciation	188	258
Share of loss of a joint venture	280	-
Employee share-based compensation costs	-	352
Interest income	(557)	(1,423)
Dividend income	(52)	(67)
Exchange difference	(223)	(24)
	<u>1,597</u>	<u>1,906</u>
Change in working capital:		
Trade receivables and other receivables	1,665	11,207
Unbilled revenue on service contracts	(7,680)	(4,467)
Amount due from a joint venture	(1,787)	-
Inventories	(2,513)	-
Trade payables and other payables	(3,585)	(1,028)
Refundable deposits	(24)	-
	<u>(12,327)</u>	<u>7,618</u>
Cash (used in) / generated from operations	(12,327)	7,618
Income tax paid	(68)	-
	<u>(12,395)</u>	<u>7,618</u>
<b>Net cash (used in) / provided by operating activities</b>	<b>(12,395)</b>	<b>7,618</b>

	<b>The Group</b>	
	<b>1st Half FY2009</b>	<b>1st Half FY2008</b>
	<b>(Apr-Sep 2008)</b>	<b>(Apr-Sep 2007)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(141)	(94)
Interest received	557	1,423
Dividend received	52	67
Purchase of available-for-sale financial assets	(780)	-
Dividends paid to shareholders	(7,193)	(10,591)
	—————	—————
<b>Net cash used in by investing activities</b>	<b>(7,505)</b>	<b>(9,195)</b>
<b>Net decrease in cash and cash equivalents held</b>	<b>(19,900)</b>	<b>(1,577)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>75,079</b>	<b>75,624</b>
	—————	—————
<b>Cash and cash equivalents at the end of the period</b>	<b>55,179</b>	<b>74,047</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
<u>Group</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2008	46,800	56,489	102	1,291	8,835	113,517
Currency translation differences	-	-	(169)	-	-	(169)
Fair value losses on available-for-sale financial asset	-	-	-	(40)	-	(40)
Net profit for the period	-	-	-	-	1,631	1,631
	=====	=====	=====	=====	=====	=====
Total recognised gains	-	-	(169)	(40)	1,631	1,422
FY2008 final dividends paid	-	-	-	-	(7,193)	(7,193)
	=====	=====	=====	=====	=====	=====
Balance as at 30 September 2008	46,800	56,489	(67)	1,251	3,273	107,746
	=====	=====	=====	=====	=====	=====
Balance as at 1 April 2007	46,800	56,489	132	482	12,235	116,138
Currency translation difference	-	-	(49)	-	-	(49)
Fair value gains on available-for-sale financial asset	-	-	-	362	-	362
Net profit for the period	-	-	-	-	2,133	2,133
	=====	=====	=====	=====	=====	=====
Total recognised gains	-	-	(49)	362	2,133	2,446
FY2007 final dividends paid	-	-	-	-	(10,591)	(10,591)
Employee share-based cost (note)	-	-	-	352	-	352
	=====	=====	=====	=====	=====	=====
Balance as at 30 September 2007	46,800	56,489	83	1,196	3,777	108,345
	=====	=====	=====	=====	=====	=====

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 the first half of FY 2008 ("1H FY08"), Mr Lee Wan Lik transferred 627,132 shares from his personal shareholding to the employees. No share was granted in the first half of FY 2009 ("1H FY09").

	Share Capital	Share Premium	Retained Profits	Total
<u>Company</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2008	46,800	56,726	7,704	111,230
Net loss for the period	-	-	(979)	(979)
FY2008 final dividends paid	-	-	(7,193)	(7,193)
	—————	—————	—————	—————
Balance as at 30 September 2008	46,800	56,726	(468)	103,058
	—————	—————	—————	—————
Balance as at 1 April 2007	46,800	56,726	11,852	115,378
Net loss for the period	-	-	(821)	(821)
FY2007 final dividends paid	-	-	(10,591)	(10,591)
	—————	—————	—————	—————
Balance as at 30 September 2007	46,800	56,726	440	103,966
	—————	—————	—————	—————



**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.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting financial period compared with the financial statements for FY 2008.

**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**

	<u>The Group</u>	
	1st Half FY2009	1st Half FY2008
Net profit of the Group (HK\$'000)	1,631	2,133
Weighted average number of shares ('000)	300,000	300,000
- Basic earnings per share (HK\$)	0.005	0.007
- Fully diluted earnings per share (HK\$)	0.005	0.007

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 30 September 2008 and 30 September 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>	
	30 Sep 2008	31 Mar 2008	30 Sep 2008	31 Mar 2008
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the existing share capital as at the end of the respective period	0.36	0.38	0.34	0.37

**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**

	1st Half FY2009	1st Half FY2008	+ / ( - )
	(Apr-Sep 08)	(Apr-Sep 07)	
Revenue by business segment	HK\$'000	HK\$'000	%
IT Services, including sale of hardware and software	19,044	18,326	4
Maintenance and Support Services	11,643	11,494	1
Business Process Outsourcing (BPO)	4,818	4,702	3
	—————	—————	
<b>Total</b>	<b>35,505</b>	<b>34,522</b>	<b>3</b>

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, of 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 increased slightly by 3% to HK\$35.5 million in 1H FY09, compared to HK\$34.5 million in the last corresponding period.

IT services remained the Group's major revenue contributor, accounting for 54% (1H FY08: 53%) of total revenue in 1H FY09. The fees from IT services were higher in 1H FY09 by HK\$0.7 million because of higher value contracts secured in 1H FY09.

Fees from maintenance and support services increased slightly by 1% to HK\$11.6 million in 1H FY09 because of the increase in value of contracts upon yearly renewal.

Fees from BPO increased by 3% to HK\$4.8 million in 1H FY09 due to the number of headcounts that was outsourced in 1H FY09 was higher than in the last corresponding period.

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

Cost of sales in 1H FY09 was lower by HK\$0.3 million from HK\$20.5 million to HK\$20.2 million.

Gross profit margins increased 2 percentage points from 41% to 43% due to the decrease in revenue from sale of third party hardware and software in 1H FY09. The profit margin for providing these third party hardware and software items was lower than the profit margin

of other IT services. Excluding third party hardware and software sales, the Group maintained a sustainable gross profit margin of 43% for both periods.

**c. Other Gains - net**

Other gains - net comprised:

	1st Half FY2009	1st Half FY2008	+ / ( - )
	(Apr-Sep 08)	(Apr-Sep 07)	
	HK\$'000	HK\$'000	%
Interest income	557	1,423	(61)
Dividend income	52	67	(22)
Net foreign exchange (loss)/gain	(321)	402	(180)
	=====	=====	
Total	288	1,892	(85)

The decrease of HK\$1.6 million in other gains for 1H FY09 as compared with 1H FY08 was mainly due to a decrease in interest income of HK\$0.9 million arising from lower interest rates and cash balance in 1H FY09 and an increase in net foreign exchange losses of HK\$0.7 million.

**d. Administrative and Other Operating Expenses**

Administrative and other operating expenses increased by 21% or HK\$1.7 million in 1H FY09 mainly due to increase in legal fee of HK\$0.6 million, office rental of HK\$0.9million and administrative and finance salaries of HK\$0.5 million.

**e. Net profit after taxation**

Despite the Group having maintained the same gross profit, due to the increase in administrative and other operating expense, overall, the Group's net profit margin decreased from 6.1% in 1H FY08 to 4.6% in 1H FY09, with a net profit of HK\$1.6million.

**Balance Sheet****a. Unbilled Revenue on Service Contracts**

The increase in unbilled revenue on services contracts of HK\$7.7 million was due to costs incurred on the new contracts secured in this financial year. However, 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\$14.8 million to HK\$13.1 million by 11% due to some of the invoices issued at last year were settled subsequently in this period.

**c. Investment in joint venture and amount due from a joint venture**

In FY 2008, the Group 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 served as the initial capital for the purpose of research and development and general working capital. Investment in joint venture decreased due to the Group's share of loss of HK\$0.3 million in 1H FY09. More expenses were incurred because the product was newly developed and was launched in 1H FY09.

The amount due from a joint venture represented the application development service provided to the joint venture by one of our subsidiaries. The whole amount was settled subsequently after 1H FY09 in October 2008.

**d. Share capital and reserves**

The Group's shareholders' equity decreased from HK\$113.5 million at the beginning of the year to HK\$107.7 million as at 30 September 2008, mainly due to the payment of FY 2008's final dividend of HK\$7.2 million, off-set by the profit generated from operations of HK\$1.6 million in 1H FY09.

**Cash flow Statement**

For the six months ended 30 September 2008, the Group's cash outflow for operations was HK\$12.4 million. The cash outflow for operations was mainly due to timing difference, as most payment milestones for projects have not been reached, sales remained unbilled, and hence cash was not collected. Cash used in investing activities of HK\$7.5 million was primarily for payment of the FY 2008 final dividend in August 2008. Overall, the Group still maintained a healthy cash position of HK\$55.2 million as at 30 September 2008.

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

No forecast or a prospect statement has been previously disclosed to shareholders.

**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**

In Nov 2007, the Group was able to secure a new IT service contract for the one off implementation of IT system of HK\$60.7 million. However, due to the customer and the Group forming different views toward the interpretation of requirements within the contract, we have yet to obtain the requisite approval for the system design of the system from the customer. Hence, the operating costs of the project were accrued without corresponding revenue contribution. In view of the above, the profit for FY 2009 might be dampened.

Despite the stiff challenges from our competitors, in 1H FY09, the Group was able to secure a new HK\$26.6 million contracts with one of the department of Hong Kong Government for two years and as well as two small-scale contracts with total contract value of HK\$8.0 million. These contracts are not expected to have a material impact on the Group's financial performance for the year ending 31 March 2009.

The Group continues to remain focused on sustaining its market share in the Hong Kong public sector. At present, the Group has bid for a number of large tenders of which the results have been postponed.

Due to the uncertainty of the recent situation, the business and economic outlook for the second half remains challenging with limited visibility.

**11. Dividend**

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

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

No interim dividend has been declared/recommended during the period ended 30 September 2008.

A final dividend was recommended and approved in respect of financial year ended 31 March 2008. The final dividend amounting to HK\$7.2 million was paid during the period ended 30 September 2008.

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

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

No interim dividend has been declared/recommended during the period ended 30 September 2007.

A final dividend was recommended and approved in respect of financial year ended 31 March 2007. The final dividend amounting to HK\$10.6 million was paid during the period ended 30 September 2007.

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

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

No interim dividend has been declared/recommended during the period.

**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**

Not applicable for half year results.

**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 for half year results.

**15. A breakdown of sales**

Not applicable for half year results.

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

Not applicable for half year results.

**BY ORDER OF THE BOARD**

**LEE WAN LIK**

**MANAGING DIRECTOR**

**13 November 2008**



**Confirmation Pursuant to 705(4) of the Listing Manual**

We, Lee Wan Lik and Lam Pui Wan, being the two directors of Azeus Systems Holdings Ltd. do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to attention of the board of directors of the Company which may render the financial results for the period ended 30 September 2008 to be false or misleading.

On behalf of the Board of Directors

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LEE Wan Lik  
Executive Director

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LAM Pui Wan  
Executive Director