

AZEUS SYSTEMS HOLDINGS LTD.

(Company registration no. 35312)

Unaudited Half Year Financial Statement and Dividend Announcement for the period ended 30 September 2009

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

**1(a)(i) Consolidated Income Statement for the first half year ended 30 September 2009
(Expressed in Hong Kong Dollars)**

	<u>The Group</u>		
	1 st Half FY2010	1 st Half FY2009	+ / (-)
	(Apr-Sep 2009)	(Apr-Sep 2008)	
	HK\$'000	HK\$'000	%
Sales	41,133	35,505	16
Cost of sales	(23,966)	(20,190)	19
	—————	—————	
Gross profit	17,167	15,315	12
Other income	114	609	(81)
Other gains / (losses) - net	164	(321)	151
Share of loss of a joint venture	(122)	(280)	(56)
Selling and marketing expenses	(3,142)	(3,571)	(12)
Administrative and other operating expenses	(7,775)	(9,791)	(21)
	—————	—————	
Profit before tax	6,406	1,961	227
Income tax expense	(1,093)	(330)	231
	—————	—————	
Profit attributable to equity holders of the Company	5,313	1,631	226
	—————	—————	
Earnings per share (basic and diluted)	HK\$0.018	HK\$0.005	
	—————	—————	

1(a)(ii) Comprehensive Income Statement for the first half year ended 30 September 2009
(Expressed in Hong Kong Dollars)

	<u>The Group</u>		
	1 st Half FY2010	1 st Half FY2009	+ / (-)
	(Apr-Sep 2009)	(Apr-Sep 2008)	
	HK\$'000	HK\$'000	%
Profit for the period	5,313	1,631	226
Other comprehensive income:			
Financial assets, available-for-sale			
- Fair value gains / (losses)	28	(40)	150
Currency translation differences	26	(169)	115
	=====	=====	
	54	(209)	126
	=====	=====	
Total comprehensive income attributable to equity holders of the Company	5,367	1,422	277
	=====	=====	

1(a)(iii) Note to Income Statement for the first half year ended 30 September 2009
(Expressed in Hong Kong Dollars)

Expenses included cost of sales, selling and marketing expenses and administrative and other operating expense are analysed as follow.			
	<u>The Group</u>		
	1 st Half FY2010	1 st Half FY2009	+ / (-)
	(Apr-Sep 2009)	(Apr-Sep 2008)	
	HK\$'000	HK\$'000	%
Hardware and software	702	-	N/M
Depreciation of property, plant and equipment	163	188	(13)
Employee benefits expenses	25,614	24,743	4
Directors emoluments	431	445	(3)
Rental expenses- operating lease	1,825	2,098	(13)
Legal and professional fee	1,249	1,415	(12)
Repair and maintenance	1,784	1,142	56
Other expenses	3,115	3,521	(12)
	=====	=====	
Total cost of sales, selling and marketing and administrative expenses	34,883	33,552	4
	=====	=====	

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 30 September 2009
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2009	31 Mar 2009	+ / (-)	30 Sep 2009	31 Mar 2009	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets						
Cash and cash equivalents	58,801	63,124	(7)	308	1,393	(78)
Trade and other receivables	7,983	6,814	17	50,554	51,570	(2)
Unbilled revenue on service contracts	39,342	36,746	7	-	-	-
Inventories	12,088	5,420	123	-	-	-
Amount due from a joint venture	-	-	-	-	-	-
Current income tax assets	859	859	-	-	-	-
	=====	=====		=====	=====	
	119,073	112,963	5	50,862	52,963	(4)
Non-current assets						
Available-for-sale financial assets	749	3,330	(78)	-	-	-
Refundable deposits	196	178	10	-	-	-
Investment in a joint venture	159	281	(43)	159	281	(43)
Investment in subsidiaries	-	-	-	50,527	50,527	-
Property, plant and equipment	610	687	(11)	-	-	-
Deferred income tax assets	305	305	-	-	-	-
	=====	=====		=====	=====	
	2,019	4,781	(58)	50,686	50,808	-
	=====	=====		=====	=====	
Total assets	121,092	117,744	3	101,548	103,771	(2)
	=====	=====		=====	=====	

Azeus Systems Holdings Ltd.
Balance Sheet as at 30 September 2009
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2009	31 Mar 2009	+ / (-)	30 Sep 2009	31 Mar 2009	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities						
Trade and other payables	7,660	9,972	(23)	379	909	(58)
Current income tax liabilities	1,103	26	4,142	-	-	-
	—————	—————		—————	—————	
	8,763	9,998	(12)	379	909	(58)
Non-current liability						
Provision for retirement benefits	808	814	(1)	-	-	-
	—————	—————		—————	—————	
	808	814	(1)	-	-	-
	—————	—————		—————	—————	
Total liabilities	9,571	10,812	(11)	379	909	(58)
	—————	—————		—————	—————	
Net assets	111,521	106,932	4	101,169	102,862	(2)
	—————	—————		—————	—————	
REPRESENTED BY:						
Share capital	46,800	46,800	-	46,800	46,800	-
Share premium	56,489	56,489	-	56,726	56,726	-
Foreign currency translation reserve	(20)	(46)	(57)	-	-	-
Other reserves	1,295	1,267	2	-	-	-
Retained earnings	6,957	2,422	187	(2,357)	(664)	(255)
	—————	—————		—————	—————	
	111,521	106,932	4	101,169	102,862	(2)
	—————	—————		—————	—————	

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 2009 and 31 March 2009.

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 FY2010	1st Half FY2009
	(Apr-Sep 2009)	(Apr-Sep 2008)
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net profit	5,313	1,631
Adjustment for:		
Income tax expense	1,093	330
Depreciation	163	188
Share of loss of a joint venture	122	280
Interest income	(62)	(557)
Dividend income	(52)	(52)
Disposal gain on financial assets	(7)	-
Unrealised translation losses	2	(223)
	<u>6,572</u>	<u>1,597</u>
Change in working capital:		
Trade and other receivables	(1,169)	1,665
Unbilled revenue on service contracts	(2,596)	(7,680)
Amount due from a joint venture	-	(1,787)
Inventories	(6,668)	(2,513)
Trade and other payables	(2,312)	(3,585)
Refundable deposits	-	(24)
	<u>(6,173)</u>	<u>(12,327)</u>
Cash used in operations	(6,173)	(12,327)
Income tax paid	(16)	(68)
	<u>(6,189)</u>	<u>(12,395)</u>
Net cash used in operating activities	(6,189)	(12,395)

	The Group	
	1st Half FY2010	1st Half FY2009
	(Apr-Sep 2009)	(Apr-Sep 2008)
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(86)	(141)
Interest received	62	557
Dividend received	52	52
Proceeds from disposal of available-for-sale financial assets	2,616	-
Purchase of available-for-sale financial assets	-	(780)
Decrease in deposits with original maturity over three months	556	-
	=====	=====
Net cash provided by / (used in) investing activities	3,200	(312)
Cash flows from financing activities		
Dividends paid to shareholders	(778)	(7,193)
	=====	=====
Net cash used in financing activities	(778)	(7,193)
Net decrease in cash and cash equivalents held	(3,767)	(19,900)
Cash and cash equivalents at the beginning of the period	62,568	75,079
	=====	=====
Cash and cash equivalents at the end of the period	58,801	55,179
	=====	=====

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
Group	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2009	46,800	56,489	(46)	1,267	2,422	106,932
Total comprehensive income for the period	-	-	26	28	5,313	5,367
FY2009 final dividends paid	-	-	-	-	(778)	(778)
	=====	=====	=====	=====	=====	=====
Balance as at 30 September 2009	46,800	56,489	(20)	1,295	6,957	111,521
	=====	=====	=====	=====	=====	=====
Balance as at 1 April 2008	46,800	56,489	102	1,291	8,835	113,517
Total comprehensive (expense) / income for the period	-	-	(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
	=====	=====	=====	=====	=====	=====

	Share Capital	Share Premium	Retained Profits	Total
Company	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2009	46,800	56,726	(664)	102,862
Total comprehensive expense for the period	-	-	(915)	(915)
FY2009 final dividends paid	-	-	(778)	(778)
	=====	=====	=====	=====
Balance as at 30 September 2009	46,800	56,726	(2,357)	101,169
	=====	=====	=====	=====
Balance as at 1 April 2008	46,800	56,726	7,704	111,230
Total comprehensive expense 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
	=====	=====	=====	=====

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.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 September 2009, share capital of the Company comprised 300,000,000 ordinary shares (FY2009: 300,000,000). There were no treasury shares held by the Company at 30 September 2009 and 2008.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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.

Except as disclosed under Note 5 below, the Group has applied the same accounting

policies and methods of computation in the financial information for the current reporting financial period compared with the financial statements for FY 2009.

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.

On 1 April 2009, the Group and the Company adopted the new / amended FRS and Interpretations to FRS ("INT FRS") which are effective for annual periods beginning on or after 1 January 2009. The following are the new or revised FRS that are relevant to the Group.

FRS 1(Revised)	Presentation of financial statements
FRS 108	Operating segments

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies nor any significant impact on the financial statements.

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 FY2010	1st Half FY2009
Net profit of the Group (HK\$'000)	5,313	1,631
Weighted average number of shares ('000)	300,000	300,000
- Basic earnings per share (HK\$)	0.018	0.005
- Fully diluted earnings per share (HK\$)	0.018	0.005

The earnings per ordinary share is calculated by dividing the consolidated profit attributable to the equity holders of the Company over the weighted average number of ordinary share in issue during the financial period.

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 2009 and 30 September 2008.

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 2009	31 Mar 2009	30 Sep 2009	31 Mar 2009
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the existing share capital as at the end of the respective period	0.37	0.36	0.34	0.34

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 300,000,000 (FY2009: 300,000,000).

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 FY2010 (Apr-Sep 09)	1st Half FY2009 (Apr-Sep 08)	+ / (-)
Revenue by business segment	HK\$'000	HK\$'000	%
IT Services, including sale of hardware and software	24,288	19,044	28
Maintenance and Support Services	11,832	11,643	2
Business Process Outsourcing (BPO)	5,013	4,818	4
	=====	=====	
Total	41,133	35,505	16

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 by 16% to HK\$41.1 million in 1H FY10, compared to HK\$35.5

million in the last corresponding period.

IT services remained the Group's major revenue contributor, accounting for 59% (1H FY09: 54%) of total revenue in 1H FY10. The fees from IT services were higher in 1H FY10 by HK\$5.2 million because of a higher percentage of completion of the two major contracts secured in previous years.

In November 2007, the Group secured 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, the project was delayed for about a year. At the instruction of the customer, the Group subsequently agreed to continue to implement the system with the inclusion of the disputed items while reserving its rights and remedies.

Another contract of HK\$26.6 million secured in the last corresponding period has almost reached the production stage. With the contribution in revenue for these two major contracts, overall IT service revenue increased by 28% to HK\$24.3 million in 1H FY10, compared to HK\$19.0 million in the last corresponding period.

Fees from maintenance and support services increased slightly by 2% to HK\$11.8 million in 1H FY10 because of the increase in value of contracts upon yearly renewal.

Fees from BPO increased by 4% to HK\$5.0 million in 1H FY10 due to the number of headcount that was outsourced in 1H FY10 was higher than in the last corresponding period.

b. Cost of Sales and Gross Profit Margin

Cost of sales in 1H FY10 was higher by HK\$3.8 million from HK\$20.2 million to HK\$24.0 million.

Gross profit margin decreased 1 percentage point from 43% to 42% due to an increase in revenue from the sale of third party hardware and software in 1H FY10. The profit margin for providing these third party hardware and software items was lower than the profit margin of other IT services. In addition, the repair and maintenance cost for all projects of HK\$1.7 million was reclassified as Cost of Sales from Administration expense in these period. Excluding third party hardware and software sales and the repair and maintenance cost, the Group gross profit margin increased by 3 percentage points from 43% to 46%.

c. Other Income & Other Gains / (Losses) - net

	1st Half FY2010	1st Half FY2009	+ / (-)
	(Apr-Sep 09)	(Apr-Sep 08)	
	HK\$'000	HK\$'000	%
Other income comprised:			
Dividend income	52	52	-
Interest income	62	557	(89)
Subtotal	114	609	(81)
Other gains / (losses) - net comprised:			
Net foreign exchange gain / (losses)	157	(321)	149
Disposal gain on financial asset	7	-	N/M
Subtotal	164	(321)	151

Note: N/M =not meaningful

The decrease of HK\$0.5 million in other income for 1H FY10 as compared with 1H FY09 was due to a decrease in interest income of HK\$0.5 million arising from lower interest rates and cash balance in 1H FY10.

d. Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by 21% or HK\$2.0 million in 1H FY10 mainly due to a decrease in legal fee of HK\$0.7 million and reclassification of repair and maintenance cost of HK\$1.7 million to cost of sales (see note b).

e. Net profit after taxation

Overall, the Group managed to improve its profit margin from 4.6% in 1H FY09 to 12.9% in 1H FY10, with a net profit of HK\$5.3 million.

Balance Sheet

a. Unbilled Revenue on Service Contracts

The increase in unbilled revenue on services contracts of HK\$2.6 million was due to costs incurred on the contracts implemented in this period. However, as some of these contracts are still in the implementation stage, the milestone payments for these contracts have not been reached.

b. Trade and other receivables

Balance increased from HK\$6.8 million to HK\$8.0 million by 17% as more invoices were issued at the period end. Subsequently after this period, majority of the Group's trade receivables have been settled and no allowance for doubtful debt is considered

necessary.

c. Inventory

Inventories comprised hardware and software products to be used in IT projects under the relevant contract terms. As the two major contracts were under implementation stage and the installations were not completed, the whole amounts were recorded as inventories, the relevant revenue of these hardware and software have not been recognised.

d. 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\$0.1 million in 1H FY09. More marketing expenses were incurred because the product was newly developed and was launched in 1H FY09.

e. Share capital and reserves

The Group's shareholders' equity increased from HK\$106.9 million at the beginning of the year to HK\$111.5 million as at 30 September 2009, mainly due to the profit generated from operations of HK\$5.3 million in 1H FY10, off-set by the payment of FY 2009's final dividend of HK\$0.8 million.

Cash flow Statement

For the six months ended 30 September 2009, the Group's cash outflow for operations was HK\$6.2 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 financing activities of HK\$0.8 million was primarily for payment of the FY 2009 final dividend in August 2009. Overall, the Group still maintained a healthy cash position of HK\$58.8 million as at 30 September 2009.

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.**

The financial turmoil and the resulting recession worldwide call for a cautious and serious review of our business strategy, focus and operations. The Group had taken and will continue to implement measures to control the cost structure of the Group whilst maintaining the efficiency of the business operations.

We continue to invest in our employees through training and building their skills across various technologies and domains. Our continuous investment in capability development, training would make us more competitive. We have tightened our performance management system to create a more focused workforce.

Nonetheless, with our proven technology ever ready to roll out an enlarged range of solutions, the Group will be looking for strategic partnership with companies who are searching for proven solutions that can be incorporated into new products and services. Within the Group, we have a library of intellectual assets that have been developed over the years. We will be looking for opportunities to generate new revenue streams from these assets.

The Group continues to remain focused on sustaining its market share in the Hong Kong public sector and expects contracts from the Hong Kong Government to continue to be the main growth driver. Although the IT industry is highly competitive, the Group will continue to derive greater operational efficiency as well as leverage on our reinforced staff strength, established track record, as well as CMMI-SW Level 5 (highest) accreditation to secure higher value service contracts.

The Group was chosen as one of the suppliers to receive approval to enter into three Standing Offer Agreements for the Quality Professional Services (the "Agreements") with the Government of the Hong Kong Special Administrative Region for the supply of IT professional services. The new agreements have taken effect since July 31, 2009

and will last for a period of 48 months. In addition, the Group was able to secure a small-scale contract with total contract value of HK\$3.5 million. This contract is not expected to have a material impact on the Group's financial performance for the year ending 31 March 2010.

Barring any unforeseen circumstances, the Group is optimistic about its performance in FY 2010.

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 2009.

(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 2008.

A final dividend was recommended and approved in respect of financial year ended 31 March 2008. The final dividend amounting to HK\$0.8 million was paid during the period ended 30 September 2009.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, 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
11 November 2009**

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 2009 to be false or misleading.

On behalf of the Board of Directors

LEE Wan Lik
Executive Director

LAM Pui Wan
Executive Director