

AZEUS SYSTEMS HOLDINGS LTD.

(Company registration no. 35312)

Unaudited Half Year Financial Statement and Dividend Announcement for the period ended 30 September 2011

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 2011
(Expressed in Hong Kong Dollars)**

	<u>The Group</u>		
	1 st Half FY2012	1 st Half FY2011	+ / (-)
	(Apr-Sep 2011)	(Apr-Sep 2010)	
	HK\$'000	HK\$'000	%
Sales	45,537	44,063	3
Cost of sales	(31,746)	(30,712)	3
	—————	—————	
Gross profit	13,791	13,351	3
Other income	212	96	121
Other gains – net	-	165	(100)
Selling and marketing expenses	(2,199)	(4,158)	(47)
Administrative and other operating expenses	(10,478)	(8,157)	28
Share of loss of a joint venture	(37)	(278)	(87)
	—————	—————	
Profit before tax	1,289	1,019	26
Income tax expense	(219)	(168)	30
	—————	—————	
Profit attributable to equity holders of the Company	1,070	851	26
	—————	—————	
Earnings per share (basic and diluted)	0.36 cents	0.28 cents	
	—————	—————	

1(a)(ii) Statement of Comprehensive Income for the first half year ended 30 September 2011

(Expressed in Hong Kong Dollars)

	The Group		
	1st Half FY2012	1st Half FY2011	+ / (-)
	(Apr-Sep 2011)	(Apr-Sep 2010)	
	HK\$'000	HK\$'000	%
Profit for the period	1,070	851	26
Other comprehensive income / (expense):			
Financial assets, available-for-sale			
- Fair value losses	-	(3)	(100)
- Disposal	16	-	-
Currency translation differences	8	(3)	367
	<u>24</u>	<u>(6)</u>	<u>500</u>
Total comprehensive income attributable to equity holders of the Company	<u>1,094</u>	<u>845</u>	<u>29</u>

1(a)(iii) Note to Consolidated Income Statement for the first half year ended 30 September 2011

(Expressed in Hong Kong Dollars)

Expenses included in cost of sales, selling and marketing expenses and administrative and other operating expense are analysed as follow.			
	The Group		
	1st Half FY2012	1st Half FY2011	+ / (-)
	(Apr-Sep 2011)	(Apr-Sep 2010)	
	HK\$'000	HK\$'000	%
Depreciation of property, plant and equipment	(148)	(140)	6
Legal and professional fee	(1,755)	(591)	197
Rental expenses- operating lease	(2,121)	(2,129)	-
Employee benefits expenses (include director remuneration)	(31,366)	(26,305)	19
Hardware and software	(159)	(8,314)	(98)
Repair and maintenance	(2,556)	(2,004)	28
Other expenses	(6,318)	(3,544)	78
	<u>(44,423)</u>	<u>(43,027)</u>	<u>3</u>

**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 2011
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2011	31 Mar 2011	+ / (-)	30 Sep 2011	31 Mar 2011	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets						
Cash and cash equivalents	66,484	92,773	(28)	575	245	135
Pledged bank deposits	4,208	4,204	-	-	-	-
Trade and other receivables	17,357	9,135	90	49,194	54,082	(9)
Inventories	3,134	159	1,871	-	-	-
Unbilled revenue on service contracts	22,304	12,595	77	-	-	-
Current income tax assets	1,389	980	42	-	-	-
Amount due from a joint venture	16	16	-	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	114,892	119,862	(4)	49,769	54,327	(8)
Non-current assets						
Available-for-sale financial assets	-	765	(100)	-	-	-
Investment in subsidiaries	-	-	-	50,493	50,493	-
Investment in a joint venture	-	37	(100)	-	37	(100)
Property, plant and equipment	578	625	(8)	-	-	-
Deferred tax assets	381	382	-	-	-	-
Refundable deposit	290	276	5	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	1,249	2,085	(40)	50,493	50,530	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Total assets	116,141	121,947	(5)	100,262	104,857	(4)
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	

Azeus Systems Holdings Ltd.
Balance Sheet as at 30 September 2011
(Expressed in Hong Kong Dollars)
(Continued)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2011	31 Mar 2011	+ / (-)	30 Sep 2011	31 Mar 2011	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities						
Trade and other payables	7,300	10,753	(32)	694	1,154	(40)
Current income tax liabilities	-	13	(100)	-	-	-
	<u>7,300</u>	<u>10,766</u>	<u>(32)</u>	<u>694</u>	<u>1,154</u>	<u>(40)</u>
Non-current liability						
Provision for retirement benefits	1,431	1,439	(1)	-	-	-
	<u>1,431</u>	<u>1,439</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	8,731	12,205	(28)	694	1,154	(40)
Net assets	107,410	109,742	(2)	99,568	103,703	(4)
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	84	76	11	-	-	-
Other reserves	1,327	1,311	1	-	-	-
Retained earnings	2,710	5,066	(47)	(3,958)	177	(2,336)
	<u>107,410</u>	<u>109,742</u>	<u>(2)</u>	<u>99,568</u>	<u>103,703</u>	<u>(4)</u>

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 2011 and 31 March 2011.

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

	The Group	
	1st Half FY2012	1st Half FY2011
	(Apr-Sep 2011)	(Apr-Sep 2010)
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net profit	1,070	851
Adjustment for:		
Income tax expense	219	168
Depreciation of property, plant and equipment	148	140
Interest income	(212)	(96)
Share of loss of a joint venture	37	278
Loss on available-for-sale financial assets	3	-
Exchange differences	2	-
Unrealised translation losses	-	30
	<u> </u>	<u> </u>
Operating cash flow before working capital change	1,267	1,371
Change in working capital:		
Trade and other receivables	(8,222)	2,007
Unbilled revenue on service contracts	(9,709)	20,509
Refundable deposits	(14)	(22)
Inventories	(2,975)	6,328
Trade and other payables	(3,453)	(1,982)
	<u> </u>	<u> </u>
Cash (used in) / generated from operations	(23,106)	28,211
Contributions to retirement fund		
Income tax paid	(641)	(48)
	<u> </u>	<u> </u>
Net cash (used in) / provided by operating activities	(23,747)	28,163
	<u> </u>	<u> </u>

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

	<u>The Group</u>	
	1st Half FY2012	1st Half FY2011
	(Apr-Sep 2011)	(Apr-Sep 2010)
	HK\$'000	HK\$'000
Cash flows from investing activities		
Proceeds from disposal of available-for-sale financial assets	777	-
Purchase of property, plant and equipment	(101)	(167)
Decrease in pledged bank deposit	(4)	27,321
Interest received	212	96
Additional capital to a joint venture	-	(195)
	<u> </u>	<u> </u>
Net cash provided by investing activities	884	27,055
Cash flows from financing activities		
Dividends paid to equity holders of the Company	(3,426)	(10,393)
	<u> </u>	<u> </u>
Net cash used in financing activities	(3,426)	(10,393)
Net (decrease) / increase in cash and cash equivalents held	(26,289)	44,825
Cash and cash equivalents at the beginning of the period	92,773	36,503
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	66,484	81,328
	<u> </u>	<u> </u>

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 2011	46,800	56,489	76	1,311	5,066	109,742
Total comprehensive income for the period	-	-	8	16	1,070	1,094
FY2011 final dividends paid	-	-	-	-	(3,426)	(3,426)
	=====	=====	=====	=====	=====	=====
Balance as at 30 September 2011	46,800	56,489	84	1,327	2,710	107,410
	=====	=====	=====	=====	=====	=====
Balance as at 1 April 2010	46,800	56,489	25	1,304	12,061	116,679
Total comprehensive (expense) / income for the period	-	-	(3)	(3)	851	845
FY2010 final dividends paid	-	-	-	-	(10,393)	(10,393)
	=====	=====	=====	=====	=====	=====
Balance as at 30 September 2010	46,800	56,489	22	1,301	2,519	107,131
	=====	=====	=====	=====	=====	=====

	Share Capital	Share Premium	Retained Profits/ (Accumulated Losses)	Total
<u>Company</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2011	46,800	56,726	177	103,703
Total comprehensive expense for the period	-	-	(709)	(709)
FY2011 final dividends paid	-	-	(3,426)	(3,426)
	=====	=====	=====	=====
Balance as at 30 September 2011	46,800	56,726	(3,958)	99,568
	=====	=====	=====	=====
Balance as at 1 April 2010	46,800	56,726	8,078	111,604
Total comprehensive expense for the period	-	-	(1,096)	(1,096)
FY2010 final dividends paid	-	-	(10,393)	(10,393)
	=====	=====	=====	=====
Balance as at 30 September 2010	46,800	56,726	(3,411)	100,115
	=====	=====	=====	=====

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 2011, share capital of the Company comprised 300,000,000 ordinary shares (FY2011: 300,000,000). There were no treasury shares held by the Company at 30 September 2011 and 2010.

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 2011.

- 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 2011, the Group and the Company adopted the new / amended FRS and which are effective for annual periods beginning on or after 1 April 2011. The following are the new or revised FRS that are relevant to the Group.

FRS 24 (Revised) Related Party transactions

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**

	The Group	
	1st Half FY2012	1st Half FY2011
Net profit of the Group (HK\$'000)	1,070	851
Weighted average number of shares ('000)	300,000	300,000
- Basic earnings per share (HK cents)	0.36	0.28
- Fully diluted earnings per share (HK cents)	0.36	0.28

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 2011 and 30 September 2010.

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 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011
	HK cents	HK cents	HK cents	HK cents
Net asset value per ordinary share based on the existing share capital as at the end of the respective period	35.80	36.58	33.19	34.57

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 300,000,000 (FY2011: 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 FY2012 (Apr-Sep 11)	1st Half FY2011 (Apr-Sep 10)	+ / (-)
Revenue by business segment	HK\$'000	HK\$'000	%
IT Services, including sale of hardware and software	18,627	25,503	(27)
Maintenance and Support Services	21,640	12,778	69
Business Process Outsourcing (BPO)	5,270	5,782	(9)
	<hr/>	<hr/>	
Total	45,537	44,063	3

The Group derives its revenue from three core business areas – IT services, maintenance and support services, and business process outsourcing (BPO). 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 for which contracts vary in size and scope.

Group revenue increased by 3% to HK\$45.5 million in 1H FY12, compared to HK\$44.1

million in the last corresponding period.

IT services accounted for 41% (1H FY11: 58%) of total revenue in 1H FY12. The fees from IT services were lower in 1H FY12 by HK\$6.9 million as there was only HK\$0.3 million third party hardware and software sales compared to HK\$11.9 million 1H FY11. Excluding third party hardware and software sales, the Group's IT service sales were higher by HK\$4.7 million or 35% due to new projects secured in this current period.

Fees from maintenance and support services increased by 69% to HK\$21.6 million in 1H FY12. This business segment accounted for 47.4% (1H FY11: 29.0%) of total revenue in 1H FY12. The Group has secured more high value maintenance contracts in this current period.

Fees from BPO decreased by 9% to HK\$5.3 million in 1H FY12 due to both FY 2010's and FY2011's Consumer Price Index (CPI) service rates upward adjustments were both recognised in 1H FY11 while only one year's CPI service rates increments was recognised in FY 12.

b. Cost of Sales and Gross Profit Margin

Cost of sales in 1H FY12 was higher by HK\$1.0 million, rising from HK\$30.7 million to HK\$31.7 million due to increase in direct salaries as more staff were hired as to fulfill the secured pipelines in 1H FY12. Overall the gross profit margin remained steady at 30%.

c. Other Income & Other Gains - net

	1st Half FY2012	1st Half FY2011	+ / (-)
	(Apr-Sep 11)	(Apr-Sep 10)	
	HK\$'000	HK\$'000	%
Other income comprised:			
Interest income	212	96	121
	<hr/>	<hr/>	
Subtotal	212	96	121
Other gains - net comprised:			
Net foreign exchange gain/(loss)	-	165	(375)
Financial assets, available-for-sale			
- Gain on disposal	13	-	-
- Transfer from equity on disposal	(16)	-	-
	<hr/>	<hr/>	
Subtotal	(3)	165	

Interest income was higher in 1H FY12 compared to 1HFY11 due to better interest rate in the current period.

d. Selling and marketing expenses

Selling and marketing expenses decreased substantially by 47% or HK\$2.0 million in 1H FY12 due to reduced expenditure on Hong Kong presales projects. Instead, selling and marketing expenses for overseas expansion were increased.

e. Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 28% or HK\$2.3 million in 1H FY12 mainly due to an increase in legal and professional fee, recruitment agency fee and other expenses.

f. Net profit after taxation

Overall, the Group managed to achieve a higher net profit of HK\$1.1 million.. The Group's profit margin increased from 1.9% in 1H FY11 to 2.3% in 1H FY12.

Balance Sheet

a. Unbilled Revenue on Service Contracts

The increase in unbilled revenue on services contracts of HK\$9.7 million was due to more contracts that were secured and implemented in this period.

b. Trade and other receivables

Trade and other receivables increased by 90% from HK\$9.1 million to HK\$17.4 million, arising from higher sales in 1H FY2012. All the trade receivables as of 30 September 2011 were current in nature and no allowance for doubtful debt is considered necessary.

c. Inventory

Inventories comprised hardware and software products to be used in IT service implementation projects under the relevant contract terms. The balance represents items already delivered but which have not yet completed the acceptance test by the customers. Therefore, the relevant revenue associated with these hardware and software products has not been recognised. Inventory decreased substantially due to completion of most of the contracts and acceptance by the customers. Less inventory was maintained as less contracts were secured in this period.

d. Investment in joint venture and amount due from a joint venture

Investment in joint venture decreased due to the Group's share of loss of HK\$0.04 million in 1H FY12.

e. Share capital and reserves

The Group's shareholders' equity decreased from HK\$109.7 million at the beginning of the year to HK\$107.4 million as at 30 September 2011, mainly due to the payment of FY 2011 final dividend of HK\$3.4 million offset by the profit generated from operations of HK\$1.1 million in 1H FY12.

Cash flow Statement

For the six months ended 30 September 2011, the Group's net cash used in operating activities was HK\$23.7 million. The major operating activities were the increase in unbilled revenue and the decrease in trade and other payables. Cash provided by investing activities was HK\$0.8million. Cash used in financing activities of HK\$3.4 million was primarily for payment of the FY 2011 final dividend in August 2011. Overall, the Group managed to maintain a healthy cash position of HK\$66.5 million as at 30 September 2011.

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 near term outlook in the Hong Kong public sector is dependent on the timing of release of new tenders with potential impact on sales and profit. The outlook for the release of new tenders is better than last year. The Group remains focused on sustaining its market share in the Hong Kong public sector by delivering high-value IT systems. The Group believes that its ability to deliver large and complex systems on time with high quality provides a compelling value proposition to its customers and places it in a position to capitalise on new business opportunities in the coming year. Since Jan 2011, the Group has secured five contracts worth a cumulative one-off value of approximately HK\$136 million (US\$17.5 million). The majority of these contracts were

started near the Group's financial year end with service periods ranging from one to five years, hence the relevant revenue will be recognised in the coming financial years.

The Group has a library of intellectual assets that has been developed over the years. There are opportunities to utilise the Group's assets, domain experience and technical expertise in software products to leverage our market position in new markets. To date, we have invested around 100 man years in developing public sector software products. The Group will continue to invest a material amount to commercially develop and enhance its intellectual property rights and software products, which the Group is marketing.

The Group will expand its marketing network and will continue to bid for public sector projects in the United Kingdom and Europe. The Group has secured a small public sector contract last December.

In November 2007, the Group secured an IT service contract for a one-off implementation of an IT system worth HK\$60.7 million. However, the customer and the Group formed different views towards the interpretation of requirements within the contract. As instructed by the customer, the Group subsequently agreed to continue implementing the system with the inclusion of the disputed items while reserving its rights and remedies. In FY 2011, the system was delivered and accepted by the customer. The original sum of HK\$60.7 million was fully settled and all the implementation costs of the system together with the disputed items were incurred and recognised. Currently we are seeking a resolution to claim the cost of the disputed items. The Group is optimistic about its performance for FY 2012.

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 2011.

(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 2010.

A final dividend was recommended and approved in respect of financial year ended 31 March 2011. The final dividend amounting to HK\$3.4 million was paid during the period ended 30 September 2011.

(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
9 November 2011**

Confirmation Pursuant to 705(5) 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 2011 to be false or misleading.

On behalf of the Board of Directors

LEE Wan Lik
Executive Director

LAM Pui Wan
Executive Director