

AZEUS SYSTEMS HOLDINGS LTD.

Unaudited Full Year Financial Statement and Dividend Announcement for the year ended 31 March 2013

Part I – 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.

- 1(a)(i) Consolidated Income Statement for the financial year ended 31 March 2013

(Expressed in Hong Kong Dollars)

	<u>The Group</u>		
	FY2013	FY2012	+ / (-)
	(Apr-Mar 2013)	(Apr-Mar 2012)	
	HK\$'000	HK\$'000	%
Sales	116,738	111,886	4
Cost of sales	(77,001)	(69,830)	10
Gross profit	39,737	42,056	(6)
Other income	41,191	469	8,683
Other gains / (losses) - net	40	(479)	108
Selling and marketing expenses	(5,505)	(4,849)	14
Administrative and other operating expenses	(37,025)	(24,325)	52
Share of loss of a joint venture	-	(37)	(100)
Profit before tax	38,438	12,835	199
Income tax expense	(7,312)	(2,410)	203
Profit attributable to equity holders of the Company	31,126	10,425	199
Earnings per share (basic and diluted)	10.38 cents	3.48 cents	

1(a)(ii) Statement of Comprehensive Income for the financial year ended 31 March 2013
(Expressed in Hong Kong Dollars)

	The Group		
	FY2013	FY2012	+ / (-)
	(Apr-Mar 2013)	(Apr-Mar 2012)	
	HK\$'000	HK\$'000	%
Profit for the year	31,126	10,425	199
Other comprehensive income:			
- Disposals	-	17	(100)
Currency translation differences	59	21	181
	59	38	55
Total comprehensive income attributable to equity holders of the Company	31,185	10,463	198

1(a)(iii) Note to Income Statement for the financial year ended 31 March 2013
(Expressed in Hong Kong Dollars)

Expenses included in cost of sales, selling and marketing expenses and administrative and other operating expenses are analysed as follows:			
	FY2013	FY2012	+ / (-)
	(Apr-Mar 2013)	(Apr-Mar 2012)	
	HK\$'000	HK\$'000	%
Depreciation of property, plant and equipment	(375)	(278)	35
Legal and professional fee	(16,466)	(4,287)	284
Rental expense – operating lease	(4,486)	(4,567)	(2)
Employee benefits (including directors remuneration)	(75,928)	(72,813)	3
Hardware and software	(123)	(179)	(31)
Repairs and maintenance	(5,759)	(5,001)	15
Other expenses	(16,394)	(11,879)	44
Total cost of sales, selling and marketing and administrative expenses	(119,531)	(99,004)	21

Income tax			
Current income tax	(7,317)	(2,257)	224
Deferred income tax	(6)	(190)	(97)
Over provision of tax in prior years	11	37	(70)
Income tax expenses	(7,312)	(2,410)	203

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 2013
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	31 March 2013	31 March 2012	+ / (-)	31 March 2013	31 March 2012	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets						
Cash and cash equivalents	48,626	62,506	(22)	430	302	42
Pledged bank deposits	7,154	7,108	1	-	-	-
Trade and other receivables	14,712	13,587	8	83,554	59,401	41
Inventories	29,419	8,028	266	-	-	-
Unbilled revenue on service contracts	63,233	43,351	46	-	-	-
Current income tax assets	44	42	5	-	-	-
Amount due from a joint venture	-	126	(100)	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	163,188	134,748	21	83,984	59,703	41
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Non-current assets						
Investment in subsidiaries	-	-	-	50,460	50,477	-
Investment in a joint venture	-	-	-	-	-	-
Property, plant and equipment	895	515	74	-	-	-
Deferred tax assets	196	192	2	-	-	-
Refundable deposit	352	293	20	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	1,443	1,000	44	50,460	50,477	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Total assets	164,631	135,748	21	134,444	110,180	22
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	

Azeus Systems Holdings Ltd.
Balance Sheet as at 31 March 2013
(Expressed in Hong Kong Dollars)
(Continued)

	<u>The Group</u>			<u>The Company</u>		
	31 March 2013	31 March 2012	+ / (-)	31 March 2013	31 March 2012	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities						
Trade and other payables	19,631	15,958	23	1,384	1,294	7
Current income tax liabilities	5,669	1,324	328	-	-	-
	=====	=====		=====	=====	
	25,300	17,282	46	1,384	1,294	7
	=====	=====		=====	=====	
Non-current liability						
Provision for retirement benefit	1,843	1,683	10	-	-	-
	=====	=====		=====	=====	
	1,843	1,683	10	-	-	-
	=====	=====		=====	=====	
Total liabilities	27,143	18,965	43	1,384	1,294	7
	=====	=====		=====	=====	
Net assets	137,488	116,783	18	133,060	108,886	22
	=====	=====		=====	=====	
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	156	97	61	-	-	-
Other reserves	1,328	1,328	-	-	-	-
Retained earnings	32,715	12,069	171	29,534	5,360	451
	=====	=====		=====	=====	
	137,488	116,783	18	133,060	108,886	22
	=====	=====		=====	=====	

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 2013 and 31 March 2012.

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	
	FY2013	FY2012
	(Apr-Mar 2013)	(Apr-Mar 2012)
	HK\$'000	HK\$'000
Net profit	31,126	10,425
Adjustments for:		
Income tax expense	7,312	2,410
Depreciation of property, plant and equipment	375	278
Interest income	(139)	(469)
Share of loss of a joint venture	-	37
Loss on available-for-sale financial assets	-	3
Provision for retirement benefit	385	628
Exchange differences	121	22
Operating cash flow before working capital change	39,180	13,334
Change in working capital		
Trade and other receivables	(1,125)	(4,452)
Unbilled revenue on service contracts	(19,882)	(30,756)
Amount due from a joint venture	126	(110)
Refundable deposits	(59)	(17)
Inventories	(21,391)	(7,869)
Trade and other payables	3,673	5,205
Pledged bank deposits	(46)	(2,904)
Cash generated from / (used in) operations	476	(27,569)
Contributions to retirement fund	(313)	(384)
Income tax (paid) / refunded	(2,960)	29
Net cash used in by operating activities	(2,797)	(27,924)

**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>	
	FY2013	FY2012
	(Apr-Mar 2013)	(Apr-Mar 2012)
	HK\$'000	HK\$'000
Cash flows from investing activities		
Disposal of available-for-sale financial assets	-	778
Purchases of property, plant and equipment	(742)	(168)
Interest received	139	469
Net cash (used in) / provided by investing activities	(603)	1,079
Cash flows from financing activities		
Dividends paid to shareholders	(10,480)	(3,422)
Net cash used in financing activities	(10,480)	(3,422)
Net decrease in cash and cash equivalents	(13,880)	(30,267)
Cash and cash equivalents at the beginning of the financial year	62,506	92,773
Cash and cash equivalents at the end of the financial year	48,626	62,506

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 2012	46,800	56,489	97	1,328	12,069	116,783
Total comprehensive income for the year	-	-	59	-	31,126	31,185
FY2012 final dividends paid	-	-	-	-	(10,480)	(10,480)
Balance as at 31 March 2013	46,800	56,489	156	1,328	32,715	137,488
Balance as at 1 April 2011	46,800	56,489	76	1,311	5,066	109,742
Total comprehensive income for the year	-	-	21	17	10,425	10,463
FY2011 final dividends paid	-	-	-	-	(3,422)	(3,422)
Balance as at 31 March 2012	46,800	56,489	97	1,328	12,069	116,783

	Share Capital	Share Premium	Retained Profits	Total
<u>Company</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2012	46,800	56,726	5,360	108,886
Total comprehensive income for the year	-	-	34,654	34,654
FY2012 final dividends paid	-	-	(10,480)	(10,480)
Balance as at 31 March 2013	46,800	56,726	29,534	133,060
Balance as at 1 April 2011	46,800	56,726	177	103,703
Total comprehensive income for the year	-	-	8,605	8,605
FY2011 final dividends paid	-	-	(3,422)	(3,422)
Balance as at 31 March 2012	46,800	56,726	5,360	108,886

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 31 March 2013, share capital of the Company comprised 300,000,000 ordinary shares (FY2012: 300,000,000). There were no treasury shares held by the Company at 31 March 2013 and 2012.

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 2012.

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 2012, the Group and the Company adopted the new / amended FRS and which are effective for annual periods beginning on or after 1 July 2012. The following are the new or revised FRS that are relevant to the Group.

Amendments to FRS 1	Presentation of Financial Statements
FRS 110	Consolidated Financial Statements

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 dividend

	<u>The Group</u>	
	FY2013	FY2012
Net profit of the Group (HK\$'000)	31,126	10,425
Weighted average number of shares ('000)	300,000	300,000
- Basic earnings per share (HK cents)	10.38	3.48
- Fully diluted earnings per share (HK cents)	10.38	3.48

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 2013 and 31 March 2012.

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 2013	31 March 2012	31 March 2013	31 March 2012
	HK cents	HK cents	HK cents	HK cents
Net asset value per ordinary share based on the existing share capital as at 31 March 2013 and 31 March 2012 respectively	45.83	38.93	44.35	36.30

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 300,000,000 (FY 2012: 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

	FY2013	FY2012	+ / (-)
	(Apr-Mar 2013)	(Apr-Mar 2012)	
	HK\$'000	HK\$'000	%
IT Services, including sales of hardware and software	58,214	54,473	7
Maintenance and Support Services	45,384	45,623	(1)
Business Process Outsourcing (BPO)	13,140	11,790	11
Total	116,738	111,886	4

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 recognised in each financial period is dependent on the stage of completion of the milestones for the development and implementation of the projects in which contracts vary in size and scope.

Group revenue increased by 4% to HK\$116.7 million for FY 2013 as compared to HK\$111.9 million in FY 2012.

IT services remained as the Group's major revenue contributor, accounting for 49.9% of total revenue for FY 2013 (FY 2012: 48.7%). The fees from IT services were higher in FY 2013 by HK\$3.7 million or 6.9% as there were more contracts secured and implemented in FY 2013.

Fees from maintenance and support services decreased by 1% to HK\$45.4 million in FY 2013 from HK\$45.6 million in FY 2012. This business segment accounted for 38.9% (FY 2012: 40.8%) of total revenue in FY 2013.

Fees from BPO increased by 11% to HK\$13.1 million in FY 2013 due to the Group successfully renewing the BPO contract for another three years in December 2011, with higher chargeable rates and outsourced headcounts.

b. Cost of Sales and Gross Profit Margin

The Group's cost of sales increased by HK\$7.2 million or 10.3% to HK\$77.0 million in FY 2013 due to an increase in consultancy fee of HK\$2.0 million and an increase in direct salaries of HK\$4.0 million. More staff were hired in and pay has been increased in FY 2013. Overall, the gross profit margin was decreased from 37.6% in FY 2012 to 34.0% in FY 2013.

c. Other Income & Other (loss) / Gains – net

	FY2013	FY2012	+ / (-)
	(Apr-Mar 2013)	(Apr-Mar 2012)	
	HK\$'000	HK\$'000	%
Other income comprised:			
Arbitration award (Note 1)	40,909	-	N/A
Interest income	139	469	(70)
Other income	144	-	N/A
Subtotal	41,192	469	8,683
Other (loss) / gains - net comprised:			
Net foreign exchange (loss) / gain	40	(476)	(108)
Financial assets, available-for-sale			
- Gain on disposal	-	14	(100)
- Transfer from equity on disposal	-	(17)	(100)
Subtotal	40	(479)	(108)

(Note 1) The Group had announced the arbitration win on 27 March 2013. The arbitration against a customer of a previous dispute has been completed. The Group received a compensation of HK\$40.9 million for the claims of the disputed items including interest. All the associated project costs had been recognised in the prior years and legal fee expense has also been recognised as and when incurred. The ruling of the responsibilities of the payment of the legal fee is still subject to the final award to be determined by the arbitrator.

Interest income was lower in FY 2013 as compared to FY 2012 due to lower interest rate and bank balance in the current year.

d. Selling and marketing expenses

Selling and marketing expenses increased by 14% or HK\$0.7 million to HK\$5.5 million in FY 2013 as compared to HK\$4.8 million in FY 2012. It was mainly due to more effort spent and activities organised for overseas expansion, particularly in the United Kingdom.

e. Administrative and other operating expenses

Administrative and other operating expenses increased by 52% or HK\$12.7 million in FY 2013 mainly due to an increase in legal and professional fee for arbitration. The arbitration has been completed and award has been made in the Group's favour. The ruling of the responsibilities of the payment of the legal fee is still subject to the final award from the arbitrator. For prudence sake, relevant legal fee of approximately HK\$15.0 million was recognised in this financial year as the Group's administration expenses.

f. Net profit after taxation

Overall, due to the arbitration award and higher IT service revenue in this financial year, the Group's net profit margin increased from 9.3% in FY 2012 to 26.7% in FY 2013 with a net profit of HK\$31.1 million.

Balance Sheet

a. Unbilled revenue on service contracts

The increase in unbilled revenue on services contracts of HK\$19.9 million was due to more contracts being secured and implemented in this current year.

b. Trade and other receivables

Balance increased from HK\$13.6 million to HK\$14.7 million by 8% as more revenue was billed near 31 March 2013. This is in line with increase in overall sales as the milestones of the contracts were reached.

c. Inventories

Inventories comprise hardware and software products to be used in IT service implementation projects under the relevant contract terms. The balance represents items that were delivered and which customers have not completed the corresponding acceptance tests. Therefore, the relevant revenue associated with these hardware and software products have not been recognised. Inventory increased from HK\$8.0 million to HK\$29.4 million as more new contracts were secured and were implementing in this current year.

d. Share capital and reserves

The Group's shareholders' equity for FY 2013 was higher than in FY 2012 by HK\$20.7 million due to the profit generated from operations of HK\$31.1 million in FY 2013, offset by the payment of FY 2012 final dividend of HK\$10.48 million.

Cash flow Statement

For the year ended 31 March 2013, the Group's cash inflow from operations was HK\$0.5 million. The cash inflow from operations improved was due to the receipts of the arbitration award of HK\$40.9 million set off with other operating cash outflows e.g. increase in inventories of HK\$21.4 million. Cash used in investing activities was HK\$0.7 million for purchase of fixed assets. Cash used in financing activities of HK\$10.5 million was primarily for the payment of FY 2012 final dividend in August 2012. Overall, the Group managed to maintain a healthy cash position of HK\$48.6 million in FY 2013.

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 Group remains focused on sustaining its market share in the Hong Kong public sector by delivering high-value IT systems. Since last financial year, the Group has secured two contracts worth a cumulative one-off value of approximately HK\$135 million (US\$17.3 million). These contracts commenced in this year and their associated revenue will be recognised over the coming financial years.

The Group will continue to invest in intellectual assets with cloud technology. Meanwhile, the Group will increase its investment in sales and marketing and will step up efforts to grow our customer base for our intellectual assets.

Barring unforeseen circumstances, the Group is maintaining a cautious outlook for FY 2014.

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	10.38 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 2012 of 3.48 HK cents. The final dividend amounting to HK\$10.48 million was paid in August 2012.

(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.

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**

Management has evaluated the operating segments based on the reports reviewed by the Executive Committee (“Exco”) that are used to make strategic decisions and also reviewed by the Executive Committee (“Exco”). The Exco comprises the Chief Executive Officer and the Group Financial Controller.

The Exco considers the Group as a single operating segment which is primarily engaged in the provision of information technology (“IT”) services. The services are similar in nature and these are based on the same backbone infrastructure. The costs are mainly staff costs incurred to provide IT services to customers. There are 3 major revenue streams: “IT services, including sales of hardware and software”, “Maintenance and Support Services” and “Business Process Outsourcing”.

IT services, including sales of hardware and software: This includes revenue arising from contract specifically negotiated for the provision of IT services, including sales of hardware and software products as required under the relevant contract terms.

Maintenance and Support Services: This includes revenue arising from provision of maintenance and support services to customers.

Business Process Outsourcing: This includes revenue arising from outsourcing of headcount for provision of IT support services to customers.

The breakdown of the Group’s revenue by sales is the same as that disclosed in note 8a.

The reports reviewed by the Exco have been prepared on the same basis as the financial statements, hence there are no reconciling items to be disclosed.

The holding company is domiciled in Bermuda with no revenue arising from the country of domicile. All of the Group’s revenues from external customers are attributed to business activities in Hong Kong.

A total of HK\$114.6 million, 98% of total revenue (FY 2012: HK\$108.9 million, 98% of total revenue) from external customers is derived from the provision of IT services to the public sector of Hong Kong Government.

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>		
	FY2013	FY2012	+ / (-)
	HK\$'000	HK\$'000	%
Sales reported for first half year	57,171	45,537	26
Net profit after tax for first half year	1,480	1,070	38
Sales reported for second half year	59,567	66,349	(10)
Net profit after tax for second half year	29,646	9,355	217

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>		
	FY2013	FY2012	+ / (-)
	HK\$'000	HK\$'000	%
Ordinary	31,140	10,480	197
Preference	-	-	-
Total	31,140	10,480	197

17. If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate obtained.

18. The Use Of Proceeds Raised From Initial Public Offering Of The Company Pursuant To Rule 1207(19) Of The Listing Manual Of SGX-ST

The Company has raised approximately HK\$68.3 million (equivalent to approximately S\$14.7 million) from its initial public offering (“IPO”) through issuance of 75,000,000 new shares at S\$0.22 each on 22 October 2004 (after deducting IPO expenses as disclosed on page 45 of the Company’s Prospectus dated 13 October 2004).

As at the date of the announcement, the total amount utilised were as follows:

Intended use	Amount Allocated HK\$’000	Re-allocation HK\$’000	Amount Utilised HK\$’000	Balance HK\$’000
Expansion of Philippines and China Operation	5,576	-	(5,576)	-
Sales and marketing activities	5,576	-	(5,576)	-
Strategic business investments and acquisitions	16,262	(13,939)	(2,323)	-
Commercial exploitation and development of intellectual property rights	11,151	-	(11,151)	-
General working capital	29,736	13,939	(43,675)	-
	68,301	-	(68,301)	-

The Company has revised the intended use of proceeds and the unutilised amount for strategic business investments and acquisitions of HK\$13,939 was allocated for general working capital use. As of 31 March 2013, the whole IPO proceeds were fully utilised.

BY ORDER OF THE BOARD

LEE WAN LIK

MANAGING DIRECTOR

28 May, 2013