



Creating Opportunities,
Delivering Values.



annual
report
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CORPORATE PROFILE

Established in 1991, we are a leading provider of IT consultancy services based in Hong Kong. We were the first company in Hong Kong to be appraised at the highest level (Level 5) of the CMMI-SW model in November 2003. This is a strong endorsement of our commitment to achieving best practice processes and maintaining high quality standards for our IT solutions and services.

Under our IT services segment, we design and implement a broad range of IT software and systems, as well as develop and integrate various software programs of IT systems to fulfill the outsourcing needs of our customers.

We also provide a vast spectrum of maintenance and support services. In addition, we are engaged in business process outsourcing ("BPO"). One of our milestone achievements is having won the first business outsourcing project from the Hong Kong government – covering IT consulting, IT maintenance and support, as well as office operations and support services.

We have a solid track record of completing over 80 projects for more than 40 government departments, as well as over 16 projects for the private sector in Hong Kong. While our strength has traditionally been

in the public sector, we continue to grow our business on the regional commercial front.

We have an experienced management team, supported by a core group of highly competent and skilled IT professionals. Together, we are committed to continuously engineer innovative IT solutions and deliver excellent IT services.

Our established quality assurance systems, working methodologies and processes allow for a seamless integration of operations across multiple locations. Our software development centres are based in the Philippines and China, where lower costs of operations in these countries enable us to maintain competitive pricing for our tenders, without compromising the quality of our work.

In line with our expansion plans, we acquired BIGontheNet Pte Ltd ("BIGontheNet") in February 2005. BIGontheNet is an award-winning provider of eBusiness software solutions based in Singapore. Leveraging on our proven business model and strategy to strengthen our capabilities, we are poised to expand our market share in the Hong Kong government sector and penetrate new markets in the private sector in the South-East Asian region.





MANAGING DIRECTOR'S MESSAGE

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present our maiden annual report for the financial year ended March 31, 2005 ("FY2005").

The Year in Review

The year under review has been a significant one for us at Azeus. We attained our major milestone in becoming a publicly-listed company on the Main Board of the SGX-ST in October 2004. The successful listing is a strategic step in raising our corporate profile and standing to facilitate the expansion of our operations.

Operationally, the year has not been without its challenges as we embarked on our new journey as a listed company and continued with our expansion drive.

We registered lower sales during the year under review notwithstanding the fact that we continued to clinch new IT contracts in FY2005. This is because new contracts commenced later than expected. Group revenue for FY2005 was HK\$60.5 million as compared to HK\$71.0 million in FY2004.

Lower sales, coupled with our active recruitment exercise, resulted in a drop in Group net profit for FY2005. Our net profit was HK\$13.9 million for FY2005 against HK\$26.7 million in the previous year.

Our team of IT professionals was enlarged to ensure that we have adequate resources to capture more business opportunities and address the fast-growing demand for service delivery on quality and quantity. In total, the number of IT professionals rose by 33% from 138 to 184 as at end March 2005.

Net profit margin, on the other hand, improved to 33% in the second half of FY2005, from just 8% in the first half of the financial year. The rebound is attributed to higher profit recognition from our new contracts in the second half. Our net profit margin of 23% for FY2005 is commendable.

Segmental Contributions

As a quick recap, we derive our revenue from three main business segments – IT services, maintenance and support services, and BPO. IT services remains our biggest revenue contributor.

IT Services

Our IT services comprise project implementation of software and systems. We usually develop our own software programs that are integrated to complete the IT system. For every stage of a project, we have well-defined standards and established methodologies to ensure high standards of our IT solutions. Sales from IT services, which accounted for 76% of total revenue for FY2005, fell by 21% to HK\$46.2 million because the dates of commencement for the newly-secured contracts in FY2005 were delayed. Most of these new projects only began in the second half of FY2005 and resulted in lower revenue being recorded for the year.

On top of that, the value of the contracts was lower as compared with those secured in FY2004, which included revenue recognition from a major IT services project awarded by the Intellectual Property Department (“IPD”) of Hong Kong.

Maintenance and Support Services

The drop in IT services was partially offset by an increase in fees from maintenance and support services, which climbed by 53% to HK\$9.9 million. This was due to a rise in both the number as well as the value of maintenance and support service contracts. Many of the contracts were either renewed or commenced in FY2005 following the expiry of the warranty periods for projects completed in FY2004.

Our extensive scope of maintenance and support services includes software upgrades, problem resolution and bug fixing, disaster recovery planning and disaster recovery drill and system technical support.

Business Process Outsourcing

We are privileged to be awarded the first BPO project by the IPD of the Hong Kong government. This involves the outsourcing of maintenance and support for office operations and is for five years beginning December 2001.

Fees from the BPO segment were down by 23% to HK\$4.5 million, due to a lower headcount that was outsourced to IPD, as well as a decrease of chargeable hourly rates.





Positive Outlook for FY2006

Going forward, we plan to grow our market share in the Hong Kong public sector, pursue opportunities in the private sector and penetrate new markets in the South-East Asian region, by attracting and retaining quality employees as part of our strategy.

Recently, we have secured a US\$10.2 million large-scale deal in March 2005, involving the development and implementation of two IT systems over a period of two years, followed by a 10-year maintenance and support period. Given the multi-year duration of this project and barring any unforeseen circumstances, we expect it to have a positive impact on our revenue and earnings for FY2006.

In a move to boost our entry into new attractive markets such as Singapore, we acquired BIGontheNet

– an award-winning provider of eBusiness software solutions for various industry applications – in February 2005.

We are leveraging on BIGontheNet's strong presence and customer base in Singapore, which has an excellent market for IT services, to capitalise on opportunities in the public and commercial sectors.

Besides Hong Kong and Singapore, we also target to widen our geographical coverage into other exciting markets. We are on the lookout for suitable acquisitions to accelerate our entry into the Japanese IT outsourcing market, which we believe should offer tremendous potential in the long run.

We believe the prospect for the IT services industry worldwide remains robust. Spending on IT services

MANAGING DIRECTOR'S MESSAGE

by companies and government bodies is set to touch a whopping US\$598 billion globally in 2005. (Source: IDC Corp)

The prospect for more BPO projects is also good, as multinational corporations are keen to outsource certain processes in their Asian operations to BPO firms with a regional presence. This trend is expected to drive the growth of Asia's outsourcing market to over US\$8.3 billion by 2006. (Source: DBS Vickers Securities)

We are well-positioned to exploit the prospects in the region with established operations in Hong Kong, China, the Philippines and Singapore. We continue to keep existing customers and win new ones with our extensive track record, CMMI-certified processes, and experienced management and skilled technical professionals.

Given the positive outlook of the public sector in Hong Kong and the IT industry in Asia Pacific and our proven business model, we are confident of improving the profitability of our business and building an even better future for Azeus.

Appreciation

In closing, I would like to extend my gratitude to the new shareholders from our Initial Public Offering who had the confidence to invest in our fundamentals and growth prospects.

To our management team and staff, I want to extend my utmost appreciation for their dedication, commitment and contribution to our growth. I also wish to express my sincere thanks to all our valued customers, suppliers and business associates for your unwavering support in Azeus.

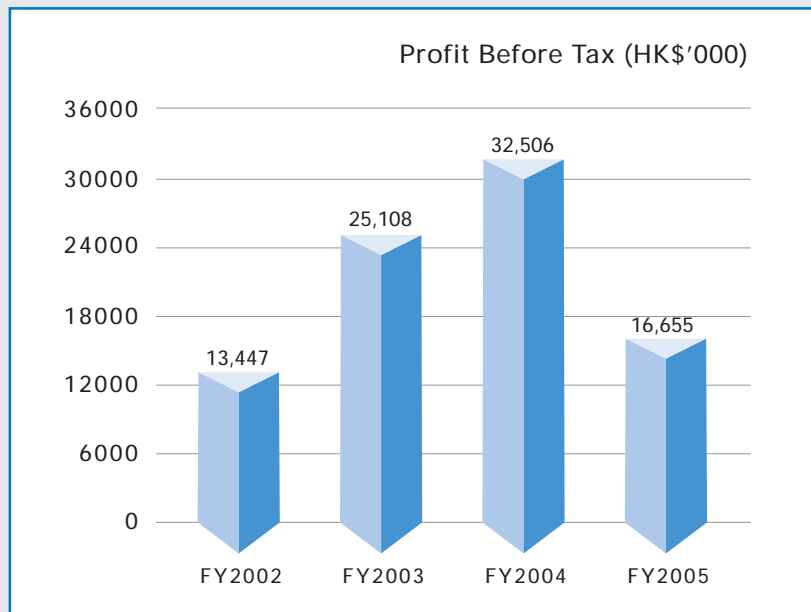
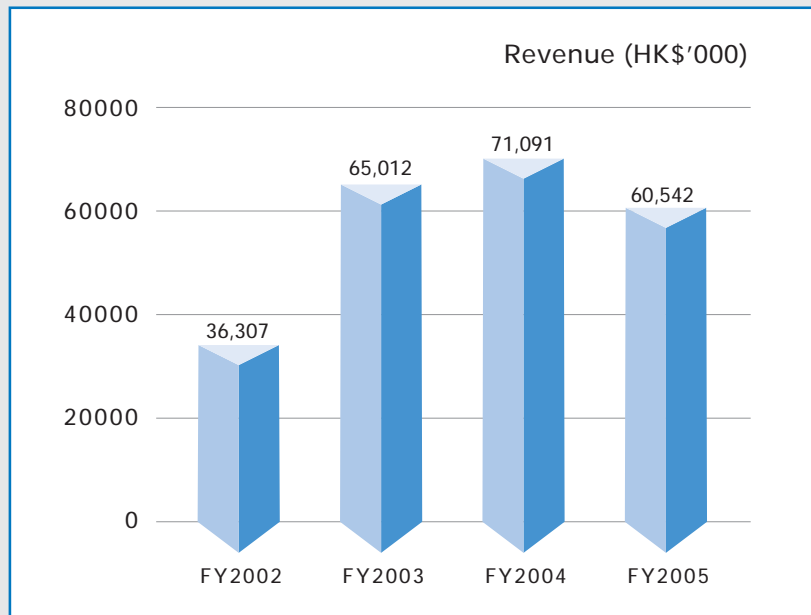
To reward the new shareholders for their confidence and support in Azeus, the Board of Directors is pleased to recommend a final dividend of 4.6 Hong Kong cents (1 Singapore cent) per share.

With the support of everyone involved with us, our aim is to steer Azeus towards our vision of becoming a leading provider of IT consultancy services in Asia Pacific.

Lee Wan Lik
Founder and Managing Director

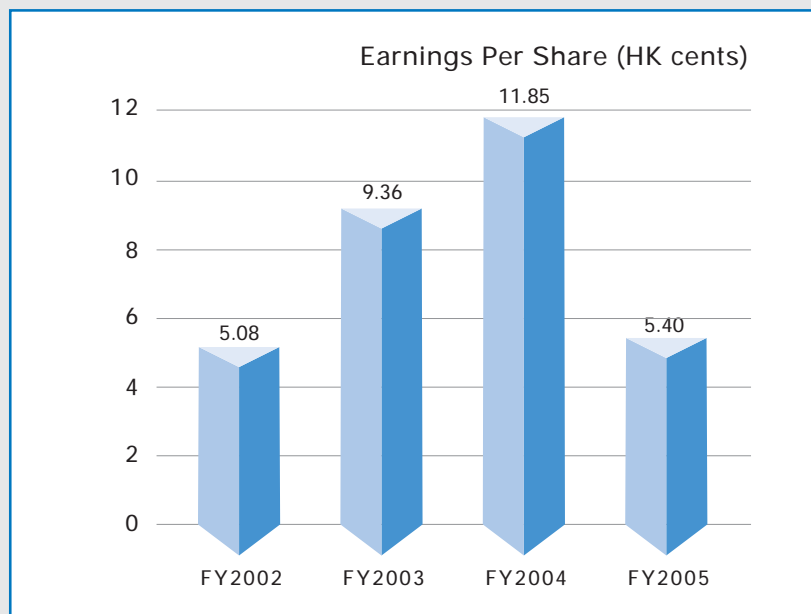
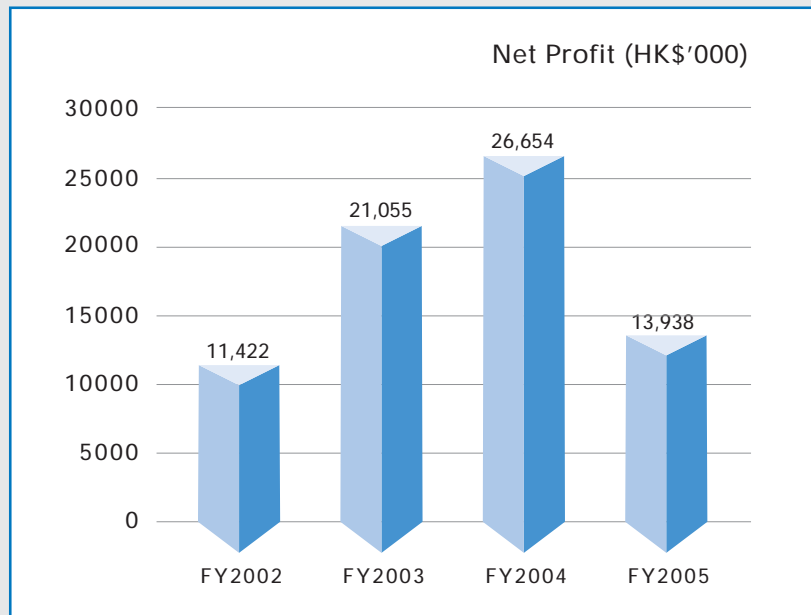


FINANCIAL HIGHLIGHTS

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FY: Financial year ending March 31

FINANCIAL HIGHLIGHTS



FY: Financial year ending March 31

BOARD OF DIRECTORS

Mr Lee Wan Lik ~ *Managing Director*

Appointed to our Board on May 12, 2004, Mr Lee Wan Lik is responsible for overseeing the Group's overall management and operations, including project management and the provision of consultancy services.

Prior to founding Azeus in 1991, he was a Manager in Oracle Systems (Hong Kong) Limited. In 1990, Mr Lee was a project team leader at the Versant Object Technology Corp. (now Versant Corporation). He was also a researcher at the Microelectronics and Computer Technology Corporation in the United States from 1987 to 1990.

Mr Lee holds a Bachelor of Science in Computer Science and Engineering, and a Bachelor of Science in Mathematics from the Massachusetts Institute of Technology ("MIT"). He also has a Master of Science in Computer Sciences from the University of Texas. Mr Lee is a fellow member of the Hong Kong Institution of Engineers and the immediate past Chairman of its IT division. In addition, he is the President of the MIT Club of Hong Kong.

Ms Lam Pui Wan ~ *Executive Director*

Ms Lam Pui Wan was appointed to our Board on May 12, 2004. She is the Head of Human Resource and Administration and assists our Managing Director in managing Azeus Hong Kong as well as the Group's offshore development centres, Azeus Philippines and Azeus China.

Prior to joining our Group, Ms Lam was a teaching assistant at the Chinese University of Hong Kong. She holds a Bachelor of Arts from the University of Minnesota.

Mr Yap Wai Ming ~ *Independent Director*

Mr Yap Wai Ming was appointed as an Independent Director of Azeus on September 14, 2004. He is currently a director of the Stamford Law Corporation and also a partner in a Malaysian law firm. His main area of practice is corporate law.

Prior to that, Mr Yap was with Drew & Napier in 1988. He also worked with the Singapore Trade Development Board (now IE Singapore) after his call to the Singapore bar in 1987. Mr Yap holds an LLB (Honours) from the National University of Singapore.

Mr Michael Yap Kiam Siew ~ Independent Director

Mr Michael Yap Kiam Siew was appointed as an Independent Director of Azeus on September 14, 2004. He is currently the Chief Executive Officer of Commerce Exchange Pte Ltd.

Prior to that, Mr Yap was Chief Executive Officer of the National Computer Board and he has served as a board member of various public organisations. He is also on the board of directors of various companies, including public listed ones in Singapore and Malaysia.

Mr Yap holds a Bachelor of Science and a Master of Science from the University of Maryland, College Park, United States. He has also completed the Stanford Executive Program from Stanford University. Mr Yap was named one of Business Week's 50 Stars of Asia for his significant contributions to the IT industry in Singapore in 1999. He was nominated by the World Economic Forum as one of the Top 100 Future Global Leaders in 2000.

Mr Koji Miura ~ Independent Director

Mr Koji Miura was appointed as an Independent Director of Azeus on September 14, 2004. He is currently the Founder and Managing Director of Miura & Associates Management Consultants Pte Ltd.

Prior to that, Mr Miura worked as a Japanese Consultant in the Japanese Practice Department of Peat Marwick between 1986 and 1989, where he was responsible for servicing and furthering the Japanese clientele of the firm. He started his career with Sato Kogyo Co. Ltd, a company listed in Japan.

Mr Miura holds a degree in Business Administration from the University of Aoyama Gakuin, Tokyo, Japan.

SENIOR MANAGEMENT

Mr Winston Wong ~ *Executive Vice President*

Mr Winston Wong joined Azeus as Executive Vice President on December 17, 2004. He is responsible for overseeing our Group's overall strategic business development. Mr Wong's primary role will be to focus on developing our Group's business in the regional private sector.

Prior to joining Azeus, he was the Chief Technology Officer at Bamboo Networks Global Group. Mr Wong was also the Chief Technology Officer of Star East, a listed entertainment company, where he managed a 120-person global engineering and sales team. He had also served at IBM Greater China Group as its Chief IT Architect.

Mr Wong is a Computer Science graduate from the Northwestern University.

Mr Tao Wing Hong ~ *Chief Operating Officer*

Mr Tao Wing Hong is responsible for the provision of professional services to our customers, including project management, consultancy study, system implementation and system maintenance.

Mr Tao joined our Group as a Junior Associate in 1991. He was promoted to an Associate in 1994 and Managing Consultant in 2000. Mr Tao holds a Bachelor of Science from the University of Hong Kong.

Ms Peggy Sam ~ *Group Financial Controller*

Ms Peggy Sam has been with our Group since March 15, 2004. She is responsible for all financial activities of Azeus.

Between 1994 and 2003, Ms Sam was with PricewaterhouseCoopers where she held managerial positions for four years. She was also seconded to PricewaterhouseCoopers, Toronto, Canada for two years. Her last position, prior to joining Azeus, was as Senior Manager of the assurance and business advisory service.

Ms Sam holds a Bachelor of Arts in Accountancy from the City University of Hong Kong. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Ms Mary Rose T. Tan ~ *President of Azeus Philippines*

Ms Mary Rose T. Tan joined Azeus Philippines in July 1996. She is in charge of the management of the Group's Philippine operations as well as human resource management. Ms Tan also heads the team that is responsible for conducting quality assurance review of project deliverables.

Between 1991 and 1996, she was with Ayala Systems Technology, Inc where she started as a Senior System Analyst and was later promoted to Project Manager and Senior Manager. She had also worked as an Analyst and Programmer at New York City Parks and Recreation Department and PCI Capital Corporation.

Ms Tan holds a Bachelor of Science in Industrial Management Engineering from De la Salle University, Taft, Manila and a Master of Science in Computer Science from Pace University, New York.

Mr Rene Toling Lindio ~ *Chief Technology Officer*

Mr Rene Toling Lindio is responsible for providing strategic direction for the Group on matters related to technology, technical consultation on technical issues and technical project management for various projects. He is also the corporate secretary of Azeus Philippines.

Mr Lindio joined Azeus Philippines as a Junior Associate in April 1994 and was promoted to an Associate in 1996. He holds a Bachelor of Science in Mathematics from the University of the Philippines – Los Banos.

CORPORATE INFORMATION

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INFORMATION

Board of Directors

Mr Lee Wan Lik
(Managing Director)

Ms Lam Pui Wan
(Executive Director)

Mr Yap Wai Ming
(Independent Director)

Mr Michael Yap Kiam Siew
(Independent Director)

Mr Koji Miura
(Independent Director)

Senior Management

Mr Winston Wong
(Executive Vice President)

Mr Tao Wing Hong
(Chief Operating Officer)

Ms Peggy Sam
(Group Financial Controller)

Ms Mary Rose T. Tan
(President of Azeus Philippines)

Mr Rene Toling Lindio
(Chief Technology Officer)

Audit Committee

Mr Koji Miura (Chairman)

Mr Yap Wai Ming

Mr Michael Yap Kiam Siew

Remuneration Committee

Mr Michael Yap Kiam Siew
(Chairman)

Mr Lee Wan Lik

Mr Yap Wai Ming

Nominating Committee

Mr Yap Wai Ming (Chairman)

Mr Michael Yap Kiam Siew

Mr Lee Wan Lik

Joint Company Secretaries

Mr Paul Michael Fitzgerald

Mr Lean Min-Tze

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda
Tel: 441 295 1443
Fax: 441 295 9216

Principal Office

22/F Olympia Plaza
255 King's Road
North Point
Hong Kong

Bermuda Share Registrar and
Share Transfer Agent

Reid Management Limited
Argyle House
41a Cedar Avenue
Hamilton HM12
Bermuda

Singapore Share Transfer
Agent

Lim Associates (Pte) Ltd
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315

Auditors

PricewaterhouseCoopers
Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424
Ms Tan Khiaw Ngoh
Partner-in-charge since financial
year ended March 31, 2005

Principal Bankers

DBS (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Central, Hong Kong

Principal Legal Adviser

Stamford Law Corporation
9 Raffles Place
#32-00 Republic Plaza
Singapore 048619

CORPORATE GOVERNANCE REPORT

For the financial year ended 31 March 2005

The directors and the management of the Company are committed to maintain a high standard of corporate governance and transparency in order to protect the interests of the shareholders of the Company. Processes and procedures have been instituted and are being constantly reviewed and revised to ensure effective corporate governance.

BOARD MATTERS**Principle 1: Board's Conduct of its Affairs**

The Board supervises the management of the business and affairs of the Company and the Group. Apart from its fiduciary duties and statutory responsibilities, it focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegated the formulation of business policies and day-to-day management to the Executive Directors.

The principal functions of the Board are:

- (a) to approve the Group's key business strategies and financial objectives;
- (b) to approve the major investments and divestments, and funding proposals;
- (c) to oversee the process for evaluating the adequacy of internal controls; risk management, financial reporting and compliance; and
- (d) to assume responsibility for corporate governance.

Since the Company's listing on 22 October 2004, the Board held one scheduled meeting during the financial year. Moving forward, the Board intends to hold at least two scheduled meetings each year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving acquisitions, financial performance, and to endorse the release of the interim and annual results. Where necessary, additional meetings may be held to address significant transactions or issues. The Company's Articles of Association permits a Board meeting to be conducted by way of teleconference and video-conference.

For the period begun from the Initial Public Offering ("IPO") of the Company in October 2004 to the financial year ended on 31 March 2005, the Board had met once and the attendance record of each member of the Board is as follows:-

Name of Directors	Appointment	Number of meetings held	Attendance
Mr Lee Wan Lik	Executive	1	1
Ms Lam Pui Wan	Executive	1	1
Mr Koji Miura	Independent	1	1
Mr Yap Wai Ming	Independent	1	1
Mr Michael Yap Kiam Siew	Independent	1	1

To assist in the execution of its responsibilities, the Board has established a number of Committees including an Audit Committee, a Nominating Committee and a Remuneration Committee.

CORPORATE GOVERNANCE REPORT (continued)

For the financial year ended 31 March 2005

Principle 2: Board Composition and Balance

The Board currently comprises 5 members, three of whom are independent non-executive directors.

Executive Directors:

Mr Lee Wan Lik

Ms Lam Pui Wan

Independent non-executive Directors:

Mr Koji Miura

Mr Michael Yap Kiam Siew

Mr Yap Wai Ming

The Board has examined its size and is of the view that it is of an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision making. The Board in consultation with the Nominating Committee has reviewed its composition and is satisfied that, such composition is appropriate and effective in decision making. It is to be noted that the chairman and each member of the Nominating Committee had abstained from commenting on and validating his own independent status.

Principle 3: Chairman and Chief Executive Officer

The Group's Managing Director is Mr Lee Wan Lik, who is responsible for day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of information flow between the Board and the management. Mr Lee is the founder of the Group and has played a key role in developing the Group's business. He is being assisted by a group of Executive Directors and Executive Officers on carrying out his executive duties and responsibilities for the Group's operation and business. Through the Group's success development in these few years, Mr Lee has demonstrated his vision, strong leadership and enthusiasm in this business.

The Board is of the opinion that the absence of the appointment of a Chairman to their Board, does not affect the effective running of the Board.

CORPORATE GOVERNANCE REPORT (continued)

For the financial year ended 31 March 2005

Principle 4: Board Membership

The Nominating Committee (“NC”) comprises Mr Yap Wai Ming as Chairman, Mr Michael Yap Kiam Siew and Mr Lee Wan Lik as members.

The Board had, subsequent to the year-end, approved written terms of reference of the NC. The NC is responsible for:-

- (a) making recommendations to the Board on all board appointments;
- (b) the re-nomination of the Directors having regard to the Director’s contribution and performance;
- (c) determining annually whether or not a Director is independent; and
- (d) decide whether or not a Director is able to and has been adequately carrying out his duties as Director.

Subject to the Board’s approval, the NC will also decide on how the Board’s performance is to be evaluated and propose objective performance criteria which address how the Board has enhanced long-term shareholder value.

No meetings of the NC were conducted during the financial year, as the Company was listed on 22 October 2004. Subsequent to the year-end, the NC held a meeting and the attendance was as follows:-

Name of Directors	Appointment	Number of meetings held	Attendance
Mr Yap Wai Ming	Independent	1	1
Mr Michael Yap Kiam Siew	Independent	1	1
Mr Lee Wan Lik	Executive	1	1

The Directors submit themselves for re-election at regular intervals of at least once every three (3) years. The Company’s Bye-Laws provide that at least one-third of the directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation.

A newly appointed Director will have to submit himself for re-election at the AGM immediately following his appointment and thereafter, be subjected to re-tirement by rotation.

The NC recommended to the Board that Mr Lee Wan Lik and Ms Lam Pui Wan, who retire by rotation be nominated for re-election at the forthcoming AGM, after taking into account their contributions and performance.

Principle 5: Board Performance

The NC will assess the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. The NC is looking into drawing up a set of objective performance criteria for the evaluation and determination of each Director’s performance.

The NC will be initiating Board performance evaluation to assess the effectiveness of the Board as a whole in FY 2006.

CORPORATE GOVERNANCE REPORT (continued)

For the financial year ended 31 March 2005

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, papers containing relevant background or explanatory information required to support the decision-making process. The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Company's operating environment. Orientation to the Company's business strategies and operations is conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of the Board meetings, and assist the Chairman in ensuring that the Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with.

REMUNERATION MATTERS**Principle 7: Procedures for Developing Remuneration Policies**

The Remuneration Committee ("RC") comprises Mr Michael Yap Kiam Siew as Chairman and Mr Yap Wai Ming and Mr Lee Wan Lik as members. No meetings of the RC were held during the financial year, as the Company was listed on 22 October 2004. Subsequent to the year-end, the RC held a meeting and the attendance was as follows:-

Name of Directors	Appointment	Number of meetings held	Attendance
Mr Michael Yap Kiam Siew	Independent	1	1
Mr Yap Wai Ming	Independent	1	1
Mr Lee Wan Lik	Executive	1	1

The Board had, subsequent to the year-end, approved written terms of reference of the RC. The RC is responsible for:-

- (a) recommending to the Board a remuneration framework for the Board and Key Executive Officers, and determine specific remuneration packages for each Executive Director and the CEO (or executive of equivalent rank). All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind will be considered by the RC.
- (b) reviewing and administering the Company's compensation schemes such as our employee share option scheme and other remuneration packages of the Company from time to time. As part of its review, the RC shall ensure that all aspects of the various schemes are comparable to other similar companies within the industry.

The key executive Directors do not receive directors' fees. The remuneration for the executive directors and the key senior executives comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and on their individual performance.

CORPORATE GOVERNANCE REPORT (continued)

For the financial year ended 31 March 2005

Principle 8: Level and Mix of Remuneration**Principle 9: Disclosure on Remuneration****Directors' remuneration**

Remuneration band and names of Directors	Salary	Bonus	Director's fees	Incentive and other benefits	Total
<S\$250,000					
Mr Lee Wan Lik	98%	–	–	2%	100%
<S\$100,000					
Mr Koji Miura	–	–	100%	–	100%
Ms Lam Pui Wan	100%	–	–	–	100%
Mr Michael Yap Kiam Siew	–	–	100%	–	100%
Mr Yap Wai Ming	–	–	100%	–	100%

Remuneration band and names of 5 key executives	Salary	Bonus	Incentive and other benefits	Total
<S\$250,000				
Ms Mary Rose T. Tan	100%	–	–	100%
Ms Peggy Sam	98%	–	2%	100%
Mr Rene Toling Lindio	100%	–	–	100%
Mr Tao Wing Hong	98%	–	2%	100%
Mr Winston Wong	100%	–	–	100%

The remuneration of the Non-Executive and Independent Directors is in the form of a fixed fee. The fees of the Directors will be subject to approval of shareholders at the AGM.

Mr Lee Wan Lik has entered into a service agreement (the "Service Agreement") with the Company. The Service Agreement is valid for a term of one year with effect from 3rd September 2004, and thereafter continues from year to year unless terminated in accordance with the provisions of the Service Agreement. The Service Agreement can be terminated by either party giving not less than three months' notice provided that the Company shall have the option to pay three months' salary in lieu of any required period of notice. Except for such payment in lieu of notice as provided for under the Service Agreement, no compensation or damages are payable by our Company to Mr Lee Wan Lik in respect of his termination in accordance with the terms of the service agreement.

Share option scheme

The Company has share option scheme known as Azeus Employee Share Option Scheme (the "Scheme") which was approved by shareholders of the Company. The Scheme complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The Scheme will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Scheme is administered by the RC. No options have been granted under the Scheme during the current financial period.

CORPORATE GOVERNANCE REPORT (continued)

For the financial year ended 31 March 2005

ACCOUNTABILITY AND AUDIT**Principle 10: Accountability**

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a half yearly basis.

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half yearly-basis.

Principle 11: Audit Committee ("AC")

The AC comprises three independent non executive directors, with Mr Koji Miura as Chairman, Mr Michael Yap Kiam Siew and Mr Yap Wai Ming as members. The AC had met once during the financial year and the attendance was as follows:-

Name of Directors	Appointment	Number of meetings held	Attendance
Mr Koji Miura	Independent	1	1
Mr Michael Yap Kiam Siew	Independent	1	1
Mr Yap Wai Ming	Independent	1	1

The Board had approved written terms of reference of the AC. The AC will meet periodically to, inter alia:

- (i) review the audit plans and reports of our Company's internal and external auditors;
- (ii) review the financial statements of our Company before submission to the Directors and shareholders;
- (iii) review and evaluate the independence and performance of the external auditors;
- (iv) review any major interested person transactions;
- (v) review the effectiveness and adequacy of internal accounting and financial control procedures; and
- (vi) review the adequacy of the business risk management process.

Apart from the above functions, our AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company's operating results or financial position. Each member of our Audit Committee will abstain from voting in respect of matters in which he is interested.

The AC is empowered to investigate any matter relating to the group's accounting, auditing, internal controls and/or financial practices brought to its attention, with full access to records, resources and personnel, to enable it to discharge its functions properly.

The AC, having reviewed the volume of non-audit services to the Company by the auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors.

The AC has accordingly recommended to the Board of Directors that the auditors, PricewaterhouseCoopers, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

CORPORATE GOVERNANCE REPORT (continued)

For the financial year ended 31 March 2005

Principle 12: Internal Controls**Principle 13: Internal Audit**

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. The Company's auditors, PricewaterhouseCoopers, carry out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, annually to the extent of their scope laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the auditors' recommendations, are reported to the AC members. For FY2005, the Board is of the view that based on the reports from the auditors, the system of internal controls that has been maintained by the Company's management throughout the financial year is adequate to meet the needs of the Company. The Board shall consider expanding its internal audit resources as and when the need arises.

COMMUNICATION WITH SHAREHOLDERS**Principle 14: Communication with Shareholders****Principle 15: Greater Shareholders Participation**

The Company engages in regular, effective and fair communication with shareholders. The Board strives for timelines and transparency, in its disclosure to shareholders and the public. Regular meetings are held with investors, analysts, fund managers and the press. The Group also has a corporate web-site (www.azeus.com) where shareholders and members of the public are able to access up-to-date corporate information and new events related to the Group.

The Annual General Meeting of the Company also represents the principal forum for dialogue and interaction with all shareholders, and accordingly the Board will invite and allocate sufficient time for shareholders to participate in a question and answer session.

Code of Business Conduct

The Directors, officers and employees are required to observe and maintain high standards of integrity, as are in compliance with the law and the regulations and company policies.

Dealings in Securities

In line with the Best Practices Guide introduced by the SGX-ST, the Company issues circulars to its directors, officers and employees of the Group that there must be no dealings in the listed securities of the Group, one month before the release of the half-yearly and full year financial results, and if they are in possession of any unpublished material price sensitive information. All directors, officers and managers are also required to file with the Company regular reports on all their dealings in the listed securities of the Group during the financial year.

DIRECTORS' REPORT

For the financial year ended 31 March 2005

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2005 and the balance sheet of the Company as at 31 March 2005.

Directors

The directors of the Company in office at the date of this report are:

Mr Lee Wan Lik

Ms Lam Pui Wan

Mr Koji Miura

Mr Michael Yap Kiam Siew

Mr Yap Wai Ming

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company or related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At incorporation	At 31.3.2005	At incorporation	At 31.3.2005
The Company	US\$1.00 each ⁽¹⁾	US\$0.02 each	US\$1.00 each ⁽¹⁾	US\$0.02 each
Mr Lee Wan Lik	6,000	83,347,000	–	153,000,000 ⁽²⁾
Ms Lam Pui Wan	6,000	14,000,000	–	153,000,000 ⁽²⁾

(1) On 14 September 2004, the Company sub-divided each ordinary share of US\$1.00 each into 20 ordinary shares of US\$0.02 each.

(2) Ms Lam Pui Wan is the spouse of Mr Lee Wan Lik. Hence, both Ms Lam Pui Wan and Mr Lee Wan Lik are deemed interested in the shareholdings held by each other. Mr Lee Wan Lik and Ms Lam Pui Wan are also each deemed to be interested in these shares held by Mu Xia Ltd by virtue of them holding 80% and 20% respectively in Mu Xia Ltd.

- (b) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had interests in the options to subscribe for ordinary shares of the Company granted pursuant to the Azeus Employee Share Option Scheme.
- (c) The interests of the directors of the Company in the share capital of the Company at 21 April 2005 remained unchanged from those at 31 March 2005.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Share options**(a) Azeus Employee Share Option Scheme**

On 14 September 2004, the shareholders at a Special General Meeting approved an employee share option scheme known as the "Azeus Employee Share Option Scheme" (the "Scheme") to grant share options to eligible employees, including executive and non-executive directors of the Company and its subsidiaries. However, qualified persons who are also the Company's controlling shareholders or their associates may not participate in the Scheme. The options grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to the market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the last dealt prices of the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the three consecutive Market Days immediately preceding the date of the grant of the option.

The Scheme is administered by the Remuneration Committee which comprises the following three directors:

1. Mr Michael Yap Kiam Siew (Chairman)
2. Mr Lee Wan Lik
3. Mr Yap Wai Ming

The committee has been authorised to determine the terms and conditions of the grant of the options.

During the financial year, no option has been granted to controlling shareholders, key management or employee of the Company and its subsidiaries or their associates.

Audit Committee

The Audit Committee comprises three independent non-executive directors. The members of the committee at the date of the report are as follows:

1. Mr Koji Miura (Chairman)
2. Mr Michael Yap Kiam Siew
3. Mr Yap Wai Ming

The Audit Committee will meet periodically to, inter alia:

- (i) review the audit plans and reports of the Company's internal and external auditors;
- (ii) review the financial statements of the Company;
- (iii) review and evaluate the independence and performance of the external auditors;
- (iv) review any major interested person transactions;
- (v) review the effectiveness and adequacy of internal accounting and financial control procedures; and
- (vi) review the adequacy of the business risk management process.

DIRECTORS' REPORT (continued)

For the financial year ended 31 March 2005

Apart from the above functions, the Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position. Each member of our Audit Committee will abstain from voting in respect of matters in which he is interested.

The Audit Committee is empowered to investigate any matter relating to the group's accounting, auditing, internal controls and/or financial practices brought to its attention, with full access to records, resources and personnel, to enable it to discharge its functions properly.

During the financial year, the Audit Committee met with the external auditors and reviewed the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors. The Audit Committee, having reviewed the volume of non-audit services to the Company by the auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors. The Audit Committee also has full access to and cooperation of management, and has full discretion to invite any director and executive officer to attend its meetings.

The Audit Committee has recommended to the Board of Directors that the auditors, PricewaterhouseCoopers, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

LEE WAN LIK
Director

LAM PUI WAN
Director

30 June 2005

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 25 to 46 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2005 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

LEE WAN LIK
Director

LAM PUI WAN
Director

30 June 2005

AUDITORS' REPORT TO THE MEMBERS OF AZEUS SYSTEMS HOLDINGS LTD.

We have audited the accompanying financial statements of Azeus Systems Holdings Ltd. set out on pages 25 to 46 for the financial year ended 31 March 2005, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. As set out in note 1 to the financial statements, the consolidated financial statements of the Group for the financial year ended 31 March 2005 and its comparative figures have been prepared and presented as if the Group has been in existence since 1 April 2004 using the "pooling-of-interest" method. These comparative figures have not been audited.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the Singapore Financial Reporting Standards and present fairly, in all material aspects, the state of affairs of the Company and of the Group as at 31 March 2005, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 30 June 2005

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Sales	4	60,542	71,091
Cost of sales		(34,679)	(24,247)
Gross profit		25,863	46,844
Other operating income	4	2,691	95
Selling and marketing expenses		(3,642)	(8,493)
Administrative and other operating expenses		(9,116)	(5,940)
Other income	5	859	–
Profit before tax	6	16,655	32,506
Income tax expense	8	(2,717)	(5,852)
Profit after tax		13,938	26,654
Earnings per share			
– Basic	9	5.40 cents	11.85 cents
– Diluted	9	5.40 cents	11.85 cents

BALANCE SHEETS

As at 31 March 2005

	Notes	The Group		The Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
ASSETS					
Current assets					
Cash and cash equivalents	10	83,578	10,788	73,725	–
Pledged bank deposits	11	1,500	200	–	–
Trade and other receivables	12	2,660	24,395	26	–
Amount due from a shareholder	13	29	–	29	–
Amount due from subsidiaries	14	–	–	5,151	–
Unbilled revenue on service contracts	15	24,570	7,379	–	–
Inventories	16	3,306	–	–	–
Current income tax asset	8	1,563	–	–	–
Other investments	17	4,246	2,032	–	–
		121,452	44,794	78,931	–
Non-current assets					
Investments in subsidiaries	18	–	–	39,183	–
Goodwill	19	939	–	–	–
Property, plant and equipment	20	1,492	1,582	–	–
Deferred income tax assets	21	96	96	–	–
		2,527	1,678	39,183	–
Total assets		123,979	46,472	118,114	–
LIABILITIES					
Current liabilities					
Trade and other payables		2,718	3,359	564	–
Amount due to a subsidiary	14	–	–	104	–
Advances from customers		3,676	3,424	–	–
Amounts due to directors	22	1	1,773	–	–
Current income tax liabilities	8	–	2,543	–	–
		6,395	11,099	668	–
Non-current liability					
Deferred income tax liabilities	21	130	130	–	–
Total liabilities		6,525	11,229	668	–
Net assets		117,454	35,243	117,446	–
SHAREHOLDERS' EQUITY					
Share capital	24	46,800	142	46,800	–
Share premium		56,489	–	56,726	–
Foreign currency translation reserve		(7)	3	–	–
Statutory reserve		112	112	–	–
Retained profits	25	14,060	34,986	13,920	–
		117,454	35,243	117,446	–

The accompanying notes form an integral part of these financial statements. Auditors' Report – Page 24.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2005

	Note	Share Capital HK\$'000	Share Premium HK\$'000	Foreign currency translation Reserve HK\$'000	Statutory Reserve HK\$'000	Retained Profits HK\$'000	Merger Reserve HK\$'000	Total HK\$'000
Group								
Balance as at 1 April 2004 ^(a)		142	–	3	112	34,986	–	35,243
Currency translation Difference		–	–	(10)	–	–	–	(10)
Net profit for the financial year		–	–	–	–	13,938	–	13,938
Total recognised gains/ (losses) for the financial year		–	–	(10)	–	13,938	–	13,928
Issue of shares		94	–	–	–	–	–	94
Issue of shares pursuant to restructuring exercise in exchange for shares of the subsidiaries		35,006	–	–	–	–	–	35,006
Adjustments arising from restructuring exercise ^(b)		(142)	–	–	–	–	(34,864)	(35,006)
Transfer from retained earnings to merger reserve		–	–	–	–	(34,864)	34,864	–
Issue of shares pursuant to the initial public offering	24	11,700	65,066	–	–	–	–	76,766
Share issue expenses ^(c)		–	(8,577)	–	–	–	–	(8,577)
Balance as at 31 March 2005		46,800	56,489	(7)	112	14,060	–	117,454
Balance as at 1 April 2003		142	–	3	112	41,318	–	41,575
Dividend ^(d)		–	–	–	–	(32,986)	–	(32,986)
Net profit/total recognised gains for the financial year		–	–	–	–	26,654	–	26,654
Balance as at 31 March 2004		142	–	3	112	34,986	–	35,243

(a) These balances represent the share capital, foreign currency translation reserve, statutory reserve and retained profits of the subsidiaries prior to the restructuring exercise.

(b) The adjustments arising from the restructuring exercise represents the excess of the nominal value of the shares issued by the Company over the nominal value of the shares acquired in exchange for those shares, accounted for using the pooling-of-interest method.

(c) Included in share issue expenses are non-audit fees paid to auditors of approximately HK\$1.7 million for services provided in relation to the initial public offering exercise.

(d) Dividend of HK\$32.9 million was paid to the original shareholders of a subsidiary prior to the restructuring exercise.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Cash flows from operating activities			
Profit before tax		16,655	32,506
Adjustments for:			
Gain on disposal of property, plant and equipment		–	(283)
Depreciation of property, plant and equipment		932	904
Interest income		(425)	(95)
Dividend income		(154)	–
Amortisation of goodwill		41	–
Unrealised loss on other investments		396	43
Gain on disposal of held-to-maturity securities		–	(58)
Exchange difference		(10)	28
Operating cash flow before working capital changes		17,435	33,045
Changes in operating assets and liabilities			
Trade and other receivables		22,230	(11,218)
Amount due from shareholders		(29)	–
Contract work-in-progress		(17,191)	(3,510)
Inventories		(3,306)	–
Trade payables, other payables and advance from customers		(784)	1,448
Amounts due to directors		(1,772)	(842)
Cash generated from operations		16,583	18,923
Income tax paid		(6,823)	(5,560)
Net cash inflow from operating activities		9,760	13,363
Cash flows from investing activities			
Purchase of property, plant and equipment		(785)	(916)
(Increase)/decrease in pledged bank deposits		(1,300)	2,612
Proceeds from disposal of property, plant and equipment		–	1,252
Interest received		425	95
Dividend received		154	–
Proceeds from disposal of held-to-maturity securities		–	957
Purchase of other investments		(2,610)	(2,075)
Acquisition of a subsidiary, net of cash acquired	10	(1,137)	–
Net cash (outflow)/inflow from investing activities		(5,253)	1,925
Cash flows from financing activities			
Net proceeds from issue of shares		68,283	–
Dividends paid to shareholders		–	(32,986)
Net cash inflow/(outflow) from financing activities		68,283	(32,986)
Net increase/(decrease) in cash and cash equivalents held		72,790	(17,698)
Cash and cash equivalents at the beginning of the financial year		10,788	28,486
Cash and cash equivalents at the end of the financial year		83,578	10,788

The accompanying notes form an integral part of these financial statements. Auditors' Report – Page 24.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2005

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

Azeus Systems Holdings Ltd. (the "Company") was incorporated on 10 May 2004 as an exempt company with limited liability under the Companies Act 1981 of Bermuda with registered office at Canon's Court, 22 Victoria Street, Hamilton HM1, Bermuda. Its principal place of business is at 22nd Floor, Olympia Plaza, 255 King's Road, North Point, Hong Kong. The Company was listed on the SGX Mainboard on 22 October 2004. The Company and its subsidiaries are referred to as the "Group". The Company's financial year end is 31 March.

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of information technology ("IT") services including IT consulting, design of IT software and hardware architecture application development and implementation and marketing of software products and the related maintenance and provision of office operational outsourcing services.

The Group was formed in 14 September 2004 pursuant to a restructuring exercise ("Restructuring Exercise") (note 2) for the purpose of the Company's listing on Singapore Exchange Securities Trading Limited ("SGX-ST"). The Group restructuring has been accounted for using the "pooling-of-interest" method. Accordingly, the Group's consolidated financial statements for the financial year ended 31 March 2005 have been presented as if the Group had been in existence since 1 April 2004. These assets and liabilities are brought into the consolidated balance sheet at their existing carrying amounts.

The comparative figures of the Group represent the combined results, state of affairs, changes in equity and cash flows as if the Group pursuant to the Restructuring Exercise has been in existence since 1 April 2004. These comparative figures have not been audited.

2. RESTRUCTURING EXERCISE

(a) Prior to the Restructuring Exercise, the subsidiaries (except for Azeus Systems (Dailian) Co., Ltd and BIGontheNet Pte Ltd) now held by the Company were directly held and controlled by Mr Lee Wan Lik and Ms Lam Pui Wan, who are the controlling shareholders or directors of the Company. Azeus Systems (Dailian) Co., Ltd is directly held by Azeus Systems Limited. BIGontheNet Pte Ltd was acquired subsequent to the Restructuring Exercise.

(b) The following steps were taken in the Restructuring Exercise:-

(i) In September 2004, the Company acquired Azeus Systems Limited ("Azeus HK"), a company incorporated in Hong Kong with an issued share capital of HK\$2 for a consideration of HK\$34,952,000 that was satisfied by the issue of 4,481,000 ordinary shares of US\$1.00 each in the capital of the Company.

(ii) In September 2004, the Company acquired Azeus Systems Phillippines, Inc. ("Azeus Php"), a company incorporated in Philippines with an issued share capital of approximately HK\$142,000 for a consideration of HK\$54,900 that was satisfied by the issue of 7,000 ordinary shares of US\$1.00 each in the capital of the Company.

The excess of the nominal value of the shares issued by the Company over the nominal value of the shares acquired in exchange for those shares are taken to a merger reserve.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES*(a) Basis of preparation*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements, which are expressed in Hong Kong dollars, have been prepared under the historical cost convention unless as disclosed in the accounting policies.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

*(b) Group accounting**Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The subsidiaries acquired pursuant to the Restructuring Exercise have been consolidated using the "pooling-of-interest" method as described in note 1.

In addition, the purchase method of accounting is used to account for the acquisition of a subsidiary during the financial year. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. The excess cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Please refer to note 3(e) for the accounting policy on goodwill.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

(c) Service contracts

A service contract is a contract specifically negotiated for the provision of IT services.

Contract revenue is recognised by using the stage of completion method. The stage of completion is measured by reference to the percentage of actual time costs incurred to date to estimated total time costs. Contract costs are recognised when incurred. When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)*(c) Service contracts (continued)*

Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as unbilled revenue on service contracts. Where progress billings exceeds costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on service contracts.

(d) Revenue recognition

Software maintenance and support services fees are recognised when the services are rendered. Fees relating to future periods are treated as advances from customers in the balance sheet.

Consultancy fees and outsourcing service fees are recognised when the services are rendered.

The accounting policies for revenue from IT Services is disclosed in note 3(c).

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the shareholder's right to receive the payment is established.

(e) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill recognised as intangible assets is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies. Goodwill is amortised over 3 years.

(f) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight line basis to write off the cost over their expected useful lives. The principal annual rates are as follows:

Condominium unit	5%
Leasehold improvements	20% – 33 $\frac{1}{3}$ %
Furniture and fixtures	20% – 33 $\frac{1}{3}$ %
Office equipment	20% – 50%
Computer equipment	30% – 33 $\frac{1}{3}$ %

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)(f) *Property, plant and equipment (continued)*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit from operations.

(g) *Investments*

Investment in subsidiaries are stated at cost less accumulated impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Quoted investment funds are stated at market value which is calculated by reference to stock exchange quoted bid prices at the close of business on the balance sheet date. Increases or decreases in the carrying amount of marketable securities are taken to the income statement.

(h) *Trade receivables*

Trade receivables are stated at original invoice amount less allowance made for doubtful receivables based on a review of all outstanding amounts at the year end. An allowance for doubtful receivables is made when there is objective evidence that the Group or Company will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified.

(i) *Inventories*

Inventories comprise hardware and software to be used in the IT projects under the relevant contract terms and are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) *Operating leases*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)(k) *Deferred income taxes*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) *Employee benefits**Employee leave entitlement*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the mandatory provident fund scheme in Hong Kong, and will have no legal or constructive obligation to pay further contribution if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

(m) *Foreign currency translation*(i) *Measurement currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The financial statements of the Group and the Company are presented in Hong Kong Dollars, which is the measurement currency of the significant subsidiary of the Group.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the measurement currency dollars at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)(m) *Foreign currency translation (continued)*(iii) *Group companies*

In respect of foreign subsidiaries whose operations are not an integral part of the Company's operations, the balance sheets are translated into Hong Kong dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the average monthly exchange rates for the financial year. The exchange differences arising on translation of foreign subsidiaries are taken directly to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as non-monetary foreign currency assets and liabilities of the acquirer and recorded at the exchange rate at the date of the transaction.

(n) *Cash and cash equivalents*

Cash and cash equivalents are stated in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(o) *Share capital*

Ordinary shares are classified equity. Incremental costs directly attributable to the issuance of shares, are taken to equity as deduction, net of tax from the proceeds.

(p) *Dividends*

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

(q) *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(r) *Impairment of assets*

Assets including property, plant and equipment, goodwill and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment of goodwill, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

4. REVENUE

	The Group	
	2005	2004
	HK\$'000	HK\$'000
IT services outsourcing	46,165	58,799
Maintenance and support services	9,874	6,452
Business process outsourcing	4,503	5,840
Total sales	60,542	71,091
Other operating income		
– interest income	425	95
– dividend income from other investments	154	–
– net foreign exchange gain	2,112	–
	2,691	95
Total revenue	63,233	71,186

5. OTHER INCOME

This represents amounts due to a shareholder and director at HK\$859,000 which was assigned by the shareholder and director to a subsidiary for a consideration of HK\$1.00 resulting in an income recognised of HK\$859,000.

6. PROFIT BEFORE TAX

The following items have been included in arriving at profit from operations:

	The Group	
	2005	2004
	HK\$'000	HK\$'000
<i>Charging/(Crediting):</i>		
Depreciation of property, plant and equipment		
– condominium unit	–	76
– leasehold improvements	110	68
– furniture and fixtures	195	182
– office equipment	3	3
– computer equipment	624	575
Gain on disposal of property, plant and equipment	–	(283)
Gain on disposal of held-to-maturity securities	–	(58)
Net foreign exchange loss	–	14
Rental expense - operating lease	2,088	1,291
Unrealised loss on other investments	396	43
Amortisation of goodwill	41	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

7. STAFF COSTS

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Wages and salaries	30,426	27,817
Employer's contribution to defined contribution plans	1,852	933
(Write-back)/Provision for long service payment	(700)	180
	31,578	28,930

The number of persons employed at the end of financial year:

	The Group	
	2005	2004
Full time	165	111
Part time	75	89
	240	200

Key management remuneration is disclosed in note 29(a).

8. TAX(a) *Tax expense*

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Tax expense attributable to profit is made up of:		
Current income tax	2,771	5,765
Deferred tax	-	35
	2,771	5,800
(Over)/under provision in preceding financial years – current income tax	(54)	52
	2,717	5,852

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

8. TAX (continued)(a) *Tax expense (continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits/losses of the consolidated companies as follows:

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Profit before tax	16,655	32,506
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,501	5,689
Income not subject to tax	(2)	(16)
Expenses not deductible for tax purposes	–	15
Temporary differences not recognised	265	–
Recognition of previously unrecognised temporary differences	–	154
Others	7	(42)
	2,771	5,800

The weighted average applicable tax rate was 15% (2004: 17.5%). The decrease is caused by profits earned in tax-free jurisdictions.

(b) *Movements in current income tax (assets)/liabilities*

	The Group	
	2005	2004
	HK\$'000	HK\$'000
At the beginning of the financial year	2,543	2,286
Income tax paid	(6,823)	(5,560)
Tax expense on profit for the financial year	2,771	5,765
(Over)/under provision in preceding financial years	(54)	52
At end of the financial year	(1,563)	2,543

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to members of Azeus Systems Holdings Ltd by the pre-invitation share capital and weighted average number of ordinary shares in issue pursuant to the initial public offering during the financial year.

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Net profit attributable to members of the Company	13,938	26,654

The weighted average number of ordinary shares is arrived at as follows:

	The Group	
	2005	2004
Pre-invitation share capital	225,000,000	225,000,000
Weighted average number of ordinary shares issued pursuant to the initial public offering of 75,000,000 new shares	33,287,671	–
Weighted average number of ordinary shares used in the computation of earnings per share	258,287,671	225,000,000
Basic earnings per share	5.40 cents	11.85 cents
Diluted earnings per share*	5.40 cents	11.85 cents

* The Company has no dilutive potential ordinary shares at 31 March 2005.

10. CASH AND CASH EQUIVALENTS

The carrying amounts of cash and cash equivalents approximate their fair value. Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollar	3,967	9,460	–	–
United States Dollar	70,468	834	67,300	–
Singapore Dollar	7,948	–	6,425	–
Others	1,195	494	–	–
	83,578	10,788	73,725	–

Acquisition of a subsidiary

On 17 February 2005, the Company acquired 100% of the issued share capital of BIGontheNet Pte Ltd for a cash consideration of approximately HK\$1,608,000 (S\$338,000).

The acquired subsidiary contributed revenue of approximately HK\$286,000 (S\$61,000) and loss from operations of approximately HK\$137,000 (S\$29,000) to the Group for the period from 17 February 2005 to 31 March 2005. The subsidiary's assets and liabilities at 31 March 2005 were approximately HK\$1,604,000 (S\$340,000) and approximately HK\$1,118,000 (S\$237,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

10. CASH AND CASH EQUIVALENTS (continued)

The fair value of the net assets acquired approximate their book value and no restructuring provisions were established. The aggregate effects of acquisition of the subsidiary are as follows:

	HK\$'000
Cash and cash equivalents	470
Trade and other receivables	495
Property, plant and equipment (note 20)	58
Total assets	1,023
Trade and other payables	(395)
Net identifiable assets purchased	628
Goodwill (note 19)	980
Total cash consideration	1,608
Less: Cash and cash equivalents in subsidiary acquired	(471)
Net cash outflow from acquisition of a subsidiary	1,137

11. PLEDGED BANK DEPOSITS

The bank deposits were pledged as security for performance bonds issued by a bank.

12. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Trade receivables	1,197	8,541	–	–
Retention receivable	–	14,610	–	–
Other receivables, prepayments and deposits	1,463	1,244	26	–
	2,660	24,395	26	–

Trade and other receivables are mainly denominated in Hong Kong dollars. The Group has policies in place to ensure that the terms of the contract are agreed with the customers to minimise disputes on the amounts billed.

The carrying amounts of trade and other receivables approximate their fair value.

13. AMOUNT DUE FROM A SHAREHOLDER

The amount due from a shareholder relates to payments made on behalf of a shareholder corporation by the Company. The carrying amount approximates its fair value.

The amount due is unsecured, interest-free and has no fixed terms of repayment but is repayable on demand. The amount was settled subsequent to the year-end.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

14. AMOUNTS DUE TO/FROM SUBSIDIARIES

The amounts due from or to subsidiaries are unsecured, interest-free and have no fixed terms of repayment but are repayable on demand. The carrying amounts of amount due from subsidiaries approximate their fair value.

15. UNBILLED REVENUE ON SERVICE CONTRACTS

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Aggregate contract costs incurred and recognised profits (less recognised losses) to date	41,033	9,721
Less: Progress billings	(16,463)	(2,342)
	<u>24,570</u>	<u>7,379</u>

16. INVENTORIES

	The Group	
	2005	2004
	HK\$'000	HK\$'000
At cost		
Finished goods	<u>3,306</u>	–

17. OTHER INVESTMENTS

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Quoted investment fund, at market value	<u>4,246</u>	<u>2,032</u>

The market value of quoted investments is determined by reference to stock exchange quoted bid prices. Other investments with a carrying amount of HK\$3,401,051 (2004: HK\$1,068,345) have been pledged as security for a performance bond issued by a bank.

	The Group	
	2005	2004
	HK\$'000	HK\$'000
At cost	4,685	2,075
Less: Allowance for diminution in value	(439)	(43)
At market value	<u>4,246</u>	<u>2,032</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK\$'000	HK\$'000
Unquoted shares at cost	39,183	–

The principal activities of subsidiaries together with information on their places of incorporation and equity interest held by the Group are shown below:

Name	Place of incorporation	Principal business	Issued and paid-up capital	Percentage of Equity held
Held by the Company				
Azeus Systems Limited ^(a)	Hong Kong	Project management and systems implementation	HK\$2,000,000	100%
Azeus Systems Manila BVI ^(b)	British Virgin Islands	Investment holding	US\$50,000	100%
BIGontheNet Pte Ltd ^(c)	Singapore	Software consultancy	S\$6,532	100%
Held by Subsidiaries				
Azeus Systems Philippines, Inc. ^(d)	Philippines	Software development	Php 4,000,000	100%
Azeus Systems (Dalian) Co., Ltd ^(e)	People's Republic of China	Software development	US\$100,000	100%

^(a) Audited by PricewaterhouseCoopers, Hong Kong.

^(b) Not required to be audited under the laws of the country of incorporation.

^(c) Audited by BDO Raffles, Singapore

^(d) Audited by PricewaterhouseCoopers, Philippines

^(e) Financial year ends on 31 December and audited by a local audit firm in the People's Republic of China.

19. GOODWILL

	The Group	
	2005	2004
	HK\$'000	HK\$'000
At beginning of the financial year	–	–
Acquisition of a subsidiary	980	
Amortisation charge	(41)	–
At end of the financial year	939	–
Cost	980	–
Accumulated amortisation	(41)	–
Net book value	939	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

20. PROPERTY, PLANT AND EQUIPMENT

	Condominium unit HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<i>Cost</i>						
At 1 April 2004	–	581	1,124	24	2,111	3,840
Exchange differences	–	2	–	–	–	2
Additions	–	216	97	2	470	785
Acquisition of subsidiary	–	–	–	8	50	58
At 31 March 2005	–	799	1,221	34	2,631	4,685
<i>Accumulated depreciation</i>						
At 1 April 2004	–	282	713	19	1,244	2,258
Exchange differences	–	2	1	–	–	3
Depreciation charge	–	110	195	3	624	932
At 31 March 2005	–	394	909	22	1,868	3,193
<i>Net book value</i>						
At 31 March 2005	–	405	312	12	763	1,492
At 31 March 2004	–	299	411	5	867	1,582

21. DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using the principal tax rate of the respective countries.

The movement on the deferred income tax account is as follows:

	The Group	
	2005	2004
	HK\$'000	HK\$'000
At beginning of financial year	34	–
Tax charge to income statement for the financial year	–	34
At end of financial year	34	34

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK\$
At 1 April 2004	130
Charged to income statement	–
At 31 March 2005	130

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

21. DEFERRED INCOME TAXES (continued)*Deferred income tax assets*

	Tax losses
	HK\$
At 1 April 2004	(96)
Credited to income statement	–
At 31 March 2005	(96)

The tax losses are available to be carried forward for the next three financial years.

22. AMOUNTS DUE TO DIRECTORS

The amounts due to directors due are unsecured, interest-free and have no fixed terms of repayment but are repayable on demand.

23. DIVIDENDS

At the Annual General Meeting on 29 July 2005, a final dividend of HK\$4.6 cents per share amounting to a total of HK\$13.8 million will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 March 2006.

24. SHARE CAPITAL

	The Company	
	2005	2004
	HK\$'000	HK\$'000
Authorised:-		
Issue of 12,000 ordinary shares of US\$1 each at incorporation	94	–
Increase of 7,988,000 ordinary shares of US\$1 each	62,306	–
	62,400	–
Subdivision of one ordinary share of US\$1 each into 50 ordinary shares of US\$0.02 each resulting in 400,000,000 ordinary shares of US\$0.02 each	–	–
Balance at end of year 400,000,000 ordinary shares of US\$0.02 each	62,400	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

24. SHARE CAPITAL (continued)

	The Company	
	2005 HK\$'000	2004 HK\$'000
Issued and fully paid:-		
Issue of 12,000 ordinary shares of US\$1 each at incorporation	94	-
Issue of 4,488,000 ordinary shares of US\$1 each pursuant to restructuring exercise	35,006	-
	35,100	-
Subdivision of each ordinary shares of US\$1 each into 50 ordinary shares of US\$0.02 each resulting in 225,000,000 ordinary shares of US\$0.02 each	-	-
Issue of 75,000,000 new ordinary shares of US\$0.02 each pursuant to the initial public offering	11,700	-
Balance at end of year		
300,000,000 ordinary shares of US\$0.02 each	46,800	-

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

25. RETAINED PROFITS

Movements in retained earnings for the Company is as follows:

	The Company	
	2005 HK\$'000	2004 HK\$'000
At beginning of the financial year	-	-
Net profit for the financial year	13,920	-
At end of the financial year	13,920	-

Movement in retained earnings for the Group is shown in the Consolidated Statement of Changes in Equity.

26. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	The Group	
	2005 HK\$'000	2004 HK\$'000
Not later than 1 year	2,047	1,245
Later than 1 year but not later than 5 years	2,156	742
	4,203	1,987

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

27. CONTINGENT LIABILITIES

At balance sheet date, secured contingent liabilities not provided for in the financial statements are as follows:

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Guarantees – secured by fixed deposits	222	–

28. FINANCIAL RISK MANAGEMENT*Financial risk factors*

The Group's exposure to financial risks are set out below:

(i) *Foreign exchange risk*

The Group mainly operates in Hong Kong and its transactions are mainly denominated in Hong Kong dollars. Hence its exposure to foreign exchange risk is minimised.

The Group has foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's is minimal.

(ii) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and borrowings.

(iii) *Credit risk*

The Group's customers are mainly from the Hong Kong public sector. The Group has policies in place to ensure that the terms of the contract are agreed with the customers to minimise disputes on the amounts billed.

(iv) *Liquidity risk*

The Group's liquidity risk is minimal as it maintains sufficient funds through its own resources.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 March 2005

29. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the financial statements, the following significant related party transactions took place during the financial year:

(a) Key management's remuneration

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit. The key management's remuneration is as follows:

	The Group	
	2005 HK\$'000	2004 HK\$'000
Key management of the Group:		
– directors of the Company	1,008	612
– directors of subsidiaries	171	–

(b) Provision of legal services

Legal fees amounting to approximately HK\$1.4million has been paid to a firm in which a director of the Company is also a director of the firm for services provided in relation to the initial public offering exercise of the Company, general legal advice and corporate secretarial services rendered.

30. SEGMENTAL INFORMATION

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

31. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Azeus Systems Holdings Ltd on 30 June 2005.

STATISTICS OF SHAREHOLDINGS

As at 20 June 2005

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	412	57.79	2,074,000	0.69
10,001 – 1,000,000	287	40.25	20,928,000	6.98
1,000,001 and above	14	1.96	276,998,000	92.33
Total	713	100.00	300,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MU XIA LTD	153,000,000	51.00
2	LEE WAN LIK	69,847,000	23.28
3	DBS VICKERS SECURITIES (S) PTE LTD	14,203,000	4.73
4	LAM PUI WAN	14,000,000	4.67
5	HSBC (SINGAPORE) NOMINEES PTE LTD	7,604,000	2.53
6	LIM & TAN SECURITIES PTE LTD	4,161,000	1.39
7	OCBC SECURITIES PRIVATE LTD	2,922,000	0.97
8	CHIN HIN INVESTMENTS PTE LTD	2,112,000	0.70
9	LIM GUAN CHIANG ALBERT	2,066,000	0.69
10	NOMURA SINGAPORE LIMITED	1,700,000	0.57
11	YEO JOHAR	1,553,000	0.52
12	PHILLIP SECURITIES PTE LTD	1,460,000	0.49
13	TAN KIM TEE @ TAN KUM TEE	1,270,000	0.42
14	AVTRADE TRADING PTE LTD	1,100,000	0.37
15	KHOO TEIK LIANG	825,000	0.28
16	YAP SOH MOOI	684,000	0.23
17	KIM ENG SECURITIES PTE. LTD.	640,000	0.21
18	LEE TONG NGE	605,000	0.20
19	DB NOMINEES (S) PTE LTD	600,000	0.20
20	NG BOON HOO	600,000	0.20
	Total	280,952,000	93.65

STATISTICS OF SHAREHOLDINGS (continued)

As at 20 June 2005

SUBSTANTIAL SHAREHOLDERS

As at 20 June 2005 (as recorded in the Register of Substantial Shareholders)

NAME	NO. OF SHARES HELD AS DIRECT	NO. OF SHARES HELD AS DEEMED
Mr Lee Wan Lik	83,347,000	153,000,000
Ms Lam Pui Wan	14,000,000	153,000,000
Mu Xia Ltd.	153,000,000	–

Mr Lee Wan Lik and Ms Lam Pui Wan, holding shareholding interests of 80% and 20% respectively in Mu Xia Ltd., are deemed interested in the 153,000,000 shares held by Mu Xia Ltd.

PUBLIC FLOAT

Based on the information available to the Company as at 20 June 2005, approximately 16.55% of the issued ordinary shares of the Company is held by the public. The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING**AZEUS SYSTEMS HOLDINGS LTD.****(the "Company")**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 2.30 p.m. on Friday, 29 July 2005 at Ballroom 4, Level 2, Sheraton Towers Singapore, 39 Scotts Road, Singapore 228230 to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 March 2005 and the Auditors' Report thereon. **[Resolution 1]**
2. To declare a first and final dividend of 4.60 Hong Kong Cents per ordinary share for the year ended 31 March 2005. **[Resolution 2]**
3. To re-elect the following Directors pursuant to Bye-Law 104 of the Company's Bye-Laws. (Directors due to retire by rotation and are eligible for re-election)
 - (a) Mr Lee Wan Lik **[Resolution 3(a)]**
 - (b) Ms Lam Pui Wan **[Resolution 3(b)]**
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration. **[Resolution 4]**
5. To approve the payment of Directors' Fees of S\$48,000.00 for the year ended 31 March 2005. **[Resolution 5]**
6. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:-

7. That pursuant to Rule 806 of the SGX-ST Listing Manual, authority be and is hereby given to the Directors of the Company to allot and issue whether by way of rights, bonus or otherwise (i) shares; (ii) convertible securities; (iii) additional convertible securities (where an adjustment to the number of convertible securities to which a holder is originally entitled to is necessary as a result of any rights, bonus or other capitalization issues by the Company, notwithstanding that such authority may have ceased to be in force at the time such additional convertible securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a shareholder does not receive); and/or (iv) shares arising from the conversion of securities in (ii) and additional convertible securities in (iii) above, notwithstanding that such authority may have ceased to be in force at the time the shares are to be issued, and any such issue may be made at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit PROVIDED THAT

NOTICE OF ANNUAL GENERAL MEETING (continued)

- (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the issued share capital of the Company; and
- (ii) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of this resolution, the percentage of the issued share capital shall be based on the Company's issued share capital at the time this resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of convertible securities; and
 - (b) any subsequent consolidation or subdivision of the Company's shares,

and, further unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (i)] **[Resolution 6]**

8. Authority to allot and issue shares under the Azeus Employee Share Option Scheme

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Azeus Employee Share Option Scheme ("Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total issued share capital of the Company from time to time. [See Explanatory Note (ii)]

[Resolution 7]

By Order of the Board
Paul Michael Fitzgerald / Lean Min-tze

Joint Company Secretaries
Singapore
6 July 2005

NOTICE OF ANNUAL GENERAL MEETING (continued)**EXPLANATORY NOTES:**

- (i) **Resolution 6**, if passed, will authorise the Directors of the Company to allot and issue shares and convertible securities in the capital of the Company up to an amount not exceeding 50% of the Company's issued share capital with an aggregate sub-limit of 20% of the Company's share capital issued other than on a pro rata basis to shareholders of the Company. The Company cannot rely on the authority given under Resolution 6 for an issue of convertible securities if the maximum number of shares to be issued upon conversion cannot be determined at the time of issue of the convertible securities.
- (ii) **Resolution 7**, if passed, will authorise the Directors to offer and grant options in accordance with the provisions of the Azeus Employee Share Option Scheme ("Scheme") and to allot and issue shares under the Scheme up to an amount not exceeding 15% of the total issued ordinary share capital of the Company from time to time.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the office of the Company's Share Transfer Agent, Lim Associates (Pte) Ltd, not less than 48 hours before the time set for the holding of the Annual General Meeting.
2. If a Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Annual General Meeting, then he/she/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office at the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315, at least forty-eight (48) hours before the time of the Annual General Meeting.
3. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be signed and deposited at the office of the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315, at least forty-eight (48) hours before the time of the Annual General Meeting.

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Registration Number: 35312