FIRST CMM LEVEL 5 IN GREATER CHINA

AZEUS SYSTEMS HOLDINGS LTD.

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Incorporated in Bermuda on 10 May 2004
Registration Number: 35312

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FIRST CMM LEVEL 5 IN GREATER CHINA

AZEUS SYSTEMS HOLDINGS LTD.

Annual Report 2008

Growing ***BEYOND***

Contents

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 100 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 develop 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.

IT Consultancy Services

Azeus offers clients with consultancy services in developing comprehensive business and technology strategies to ensure long-term business growth and success.

AZEUS

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Maintenance & Support Services

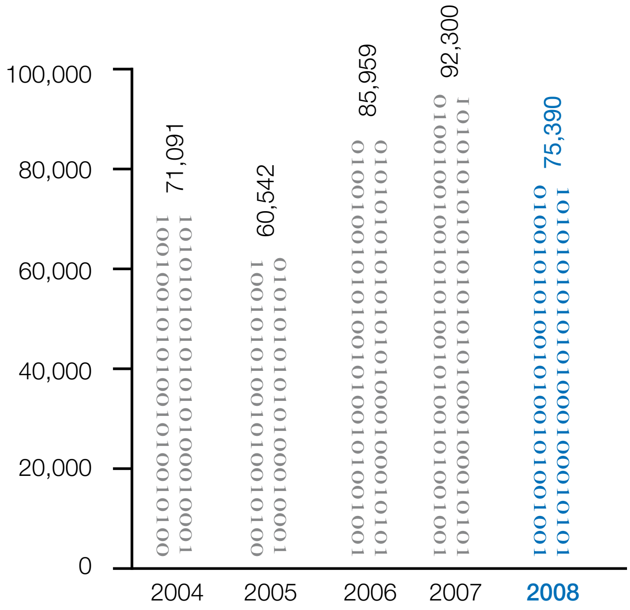
Our extensive scope of maintenance and support services includes software upgrades, problems resolution and bug fixing, disaster recovery planning and disaster recovery drill, and system technical support.

Business Process Outsourcing (BPO)

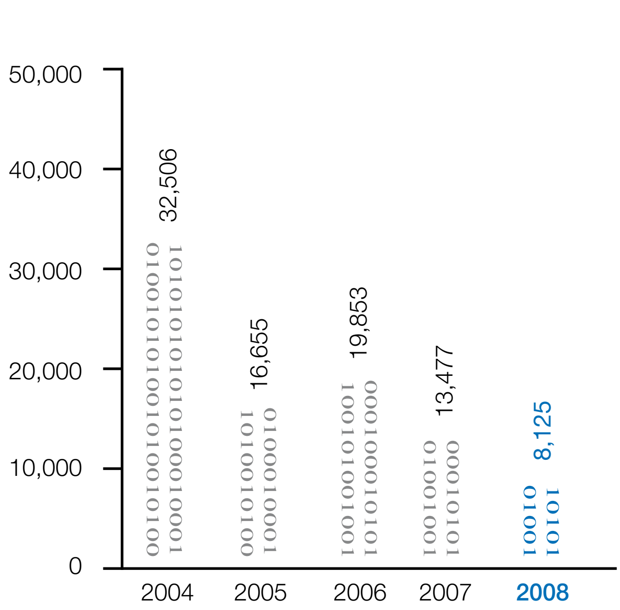
Our extensive experience and expertise in rendering business process management and providing business technology solutions offer a total solution to meet your business process outsourcing needs.

Financial Highlights

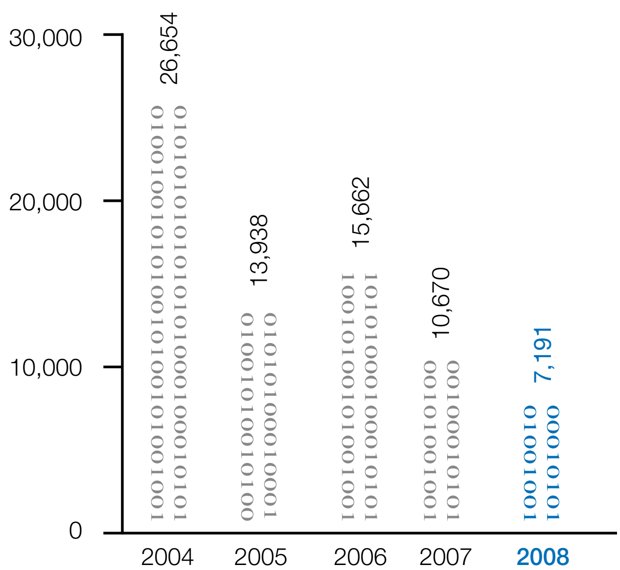
REVENUE *(HK $'000)*



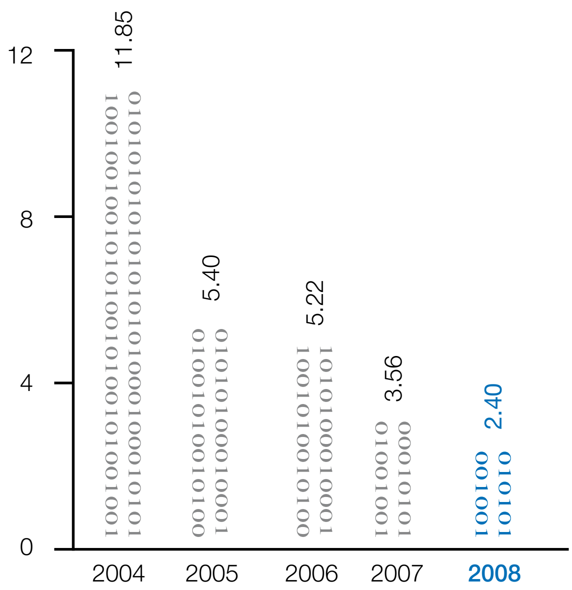
PROFIT BEFORE TAX *(HK $'000)*



NET PROFIT (HK $'000)



EARNINGS PER SHARE (HK CENTS)



Managing Director's Message

On behalf of the Board of Directors, I am pleased to present to you our results for the financial year ended March 31, 2008 ("FY2008").

THE YEAR IN REVIEW

For the financial year under review, our revenue for FY2008 fell by 18% to HK$75.4 million from HK$92.3 million in FY2007. Group net profit also registered a 33% decrease to HK$7.2 million from HK$10.7 million recorded in the previous financial year.

Despite the challenging operating environment, I am pleased that we were not only able to sustain our market share in the Hong Kong public but also able to build on our good relationship with the Hong Kong government by securing two new IT services contract during the year under review. These contracts will contribute towards the Group's FY2009 and FY2010 results.

We are also pleased to maintain a strong cash position of HK$75.1 million (including pledged deposits and deposits with maturity over three months of HK$2.0 million and HK$10.5 million respectively) as at March 31, 2008.

SEGMENTAL CONTRIBUTIONS

We derive our revenue from three main business segments – IT services, maintenance and support services, and business process outsourcing (BPO).

IT SERVICES

IT Services continued to drive Group revenue as it contributed HK$41.5 million or 55% of total revenue in FY2008. This segment registered a 41% decrease in contribution as a result of fewer contracts secured due to competitive pricing and lower third party hardware sales of HK$1.6 million in FY2008 compared to HK$14.3 million in FY2007.

MAINTENANCE AND SUPPORT SERVICES

Contribution from our Maintenance and Support Services segment delivered an encouraging 68% surge to HK$24.6 million in FY2008 due to an increase in the number of contracts (37 contracts on FY2008 as compared to 35 in FY2007) as well as size of contracts secured. Many of these contracts were renewed or commenced during the year, following the expiry of the warranty period for projects completed in FY2008. This segment made up 32.6% of total revenue.

BUSINESS PROCESS OUTSOURCING

Accounting for 12.4% of total revenue, our Business Process Outsourcing segment also saw an increase in contribution to HK$9.4 million in FY2008 from HK$7.9 million in FY2009. The 19% increase was due to a new

BPO contract awarded by the Hong Kong government in December 2006 and the higher chargeable hourly rates for headcount outsourced under this contract.

OUTLOOK

Going forward, we are optimistic that FY2009 will present the Group with opportunities for expansion in the new market place. Our two recently secured IT services contracts with the Social Welfare Department and Government Logistics Department of the Hong Kong government for HK$60.7 million and HK$26.6 million respectively position us well for growth in FY2009 and FY2010.

In addition, our recently established new joint venture company is also expected to provide us with a new business segment as well as a positive impact on our longer term performance when the initial projects materialise.

We are confident that our ability to handle large and complex systems using our global delivery model provides a compelling value proposition for our customers and will place us in a stronger position to capitalise on new business opportunities in the market place. We will leverage on our strength and remain focused on sustaining our market share in the Hong Kong public sector by doing high value IT systems as we diversify our risks by looking to penetrate new markets and pursue investment opportunities.

A WORD OF THANKS

Lastly, I would like to express my sincere gratitude to our staff for their hardwork, dedication and unwavering commitment. To our customers, business partners and shareholders, thank you for your continued support and trust in us. We wish to extend our appreciation by declaring a final dividend totaling 2.40 HK cents for FY2008. We look forward to a stronger year in FY2009 and remain committed to enhancing shareholder value as we continue to explore opportunities both locally and overseas.

LEE WAN LIK
Founder and Managing Director

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 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.

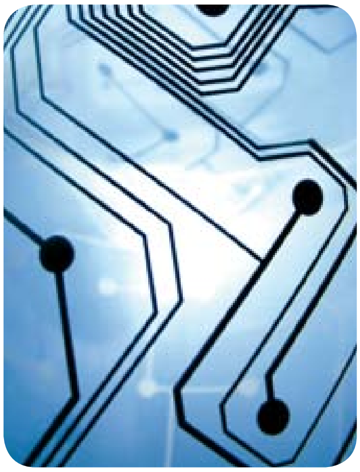
MR MICHAEL YAP KIAM SIEW

Independent Director

Mr Michael Yap Kiam Siew was appointed as an Independent Director of Azeus on September 14, 2004. He is currently Deputy Chief Executive Officer of the Media Development Authority of Singapore (MDA).

Prior to his position at MDA, Mr Yap was the Chief Executive Officer of Commerce Exchange Pte Ltd. Before that, he was the Chief Executive Officer of the National Computer Board and has served as a board member of various public organisations. He was 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 expanding the Japanese clientele base 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.

MR CHAN CHING CHUEN

Independent Director

Mr Ching Chuen Chan, age 73, joined Azeus Systems Holdings Board of Directors on February 1, 2008 as an independent board member. Mr Chan is an Honorary Professor at Hong Kong University's Department of Electrical and Electronics Engineering. He was the head of the Department of Electrical and Electronic Engineering, University of Hong Kong from 1994 to 2000.

From 1976 through present, Mr Chan earned many professorships in honorary, visiting and guest roles at world renowned institutions such as University of Hong Kong, Imperial College, London, Zhejiang University, Grenoble Polytechnic, France, Massachusetts Institute of Technology, USA and Tsing Hua University, Beijing among others. He is a Fellow of the Royal Academy of Engineering, U.K., the Chinese Academy of Engineering, the Ukraine Academy of Engineering Sciences and a Fellow and Vice President of Hong Kong Academy of Engineering Sciences. He is also a Fellow of IEEE, IEE and HKIE lecturing on electric vehicles worldwide and in 2000 was awarded the IEE International Lecture Medal.

In 2001, he was selected as one of Asia's Best Technology Pioneers by Asiaweek. During his career, Mr. Chan has advised on various consultancy projects for large corporations such as Ford Motor Company, Honda R&D Co Ltd., National Institute of Environment Studies, Japan, Sumitomo Corporation and Mitsubishi Electric Corporation as well as serving as advisor to government agencies and active in the National Committee of Chinese People's Political Consultative Conference.

Mr Chan graduated from Tsing Hua University in 1959 with an MSc in Electrical Engineering later achieving hid PhD in 1982 from University of Hong Kong. From 1959 through 1966, Mr. Chan started his career lecturing at China University of Mining & Technology. From 1967 through 1976, Mr Chan engaged in the design of new electric machines in Shanghai.

Senior Management

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, including a two year secondment to PricewaterhouseCoopers, Toronto, Canada. 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 Philippines 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

BOARD OF DIRECTORS
Mr Lee Wan Lik (Managing Director)
Ms Lam Pui Wan (Executive Director)
Mr Michael Yap Kiam Siew (Independent Director)
Mr Koji Miura (Independent Director)
Professor Chan Ching Chuen (Independent Director)

SENIOR MANAGEMENT
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 Michael Yap Kiam Siew
Professor Chan Ching Chuen

REMUNERATION COMMITTEE
Mr Michael Yap Kiam Siew (Chairman)
Mr Koji Miura
Professor Chan Ching Chuen

NOMINATING COMMITTEE
Professor Chan Ching Chuen (Chairman)
Mr Michael Yap Kiam Siew
Mr Lee Wan Lik

JOINT COMPANY SECRETARIES
Mr Paul Michael Fitzgerald
Mr Lean Min-tze
Mr Yap Wai Ming

REGISTERED OFFICE
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Tel: 441 295 1443
Fax: 441 295 9216

PRINCIPAL OFFICE
33/F, Cambridge House,
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BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT
Reid Management Limited
Argyle House
41a Cedar Avenue
Hamilton HM12
Bermuda

SINGAPORE SHARE TRANSFER AGENT
Boardroom Corporate & Advisory
Services Pte Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

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

INVESTOR RELATIONS CONTACT
Citigate Dewe Rogerson
i.MAGE Pte Ltd
1 Raffles Place
#26-02 OUB Centre
Singapore 048616
Tel: (65) 6534 5122
Fax: (65) 6534 4171

Corporate Governance Report

The directors and the management of the Company are committed to maintaining 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 the affairs of the Company and the Group. Apart from its fiduciary duties and statutory responsibilities, it also focuses on formulating the strategic direction and policies, paying particular attention to the growth of the Group and its financial performance. It has 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 overall responsibility for corporate governance.

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 and financial performance, and to endorse the release of the interim and annual results. Ad hoc meetings are held when circumstances require, such as to address significant transactions or issues. The Company's Bye-Laws permits a Board meeting to be conducted by way of teleconference and video-conference.

During the financial year ended 31 March 2008, the Board has conducted two meetings and the attendance record of each member of the Board is as follows:-

Name of Directors	Appointment	Number of meetings held for the term of office of the relevant director	Attendance
Mr Lee Wan Lik	Executive	2	2
Mr Lam Pui Wan	Executive	2	2
Mr Koji Miura	Independent	2	2
Mr Yap Wai Ming (retired on 27 July 2007)	Independent	1	1
Mr Michael Yap Kiam Siew	Independent	2	2
Mr Chan Ching Chuen (appointed on 1 February 2008)	Independent	0	0

To assist in the execution of its responsibilities, the Board has established and is supported by a number of Committees, including an Audit Committee, a Nominating Committee and a Remuneration Committee. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with entire Board.

Newly appointed directors are provided with information on their duties and obligations as a director under the Bermuda law, and given training on the governance practices and business activities of the Group. The Board is also regularly updated with changes to regulatory and accounting standards in Singapore.

Corporate Governance Report

Principle 2: Board Composition and Balance

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

Name of Directors	Appointment
Mr Lee Wan Lik	Executive Director
Ms Lam Pui Wan	Executive Director
Mr Koji Miura	Independent Non-Executive Director
Mr Michael Yap Kiam Siew	Independent Non-Executive Director
Mr Chan Ching Chuen (appointed on 1 February 2008)	Independent Non-Executive Director
Mr Yap Wai Ming (retired on 27 July 2007)	Independent Non-Executive Director

It is to be noted that the chairman and each member of the Nominating Committee had abstained from commenting on and validating his own independence.

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

The Nominating Committee is responsible for reviewing the composition of the Board to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess 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 ensures that there is adequate representation in respect of potential issues and challenges, without compromising the Board's effectiveness and participation in decision-making. Objectivity on issues deliberated by the Board is assured, given the majority of non-executive Directors are independent of management and are also independent in terms of character and judgment.

Principle 3: Role of Chairman and Chief Executive Officer

The Group's Managing Director is Mr Lee Wan Lik, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of the flow of information 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 in carrying out his executive duties and responsibility for the Group's operation and business. Through the Group's success and 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.

Principle 4: Board Membership

The Nominating Committee ("NC") comprises Mr Michael Yap Kiam Siew as Chairman, Mr Chan Ching Chuen and Mr Lee Wan Lik as members.

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 the independence of each Director on an annual basis; and

(d) deciding whether 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 are dependent on how the Board has enhanced long-term shareholder value. Appointments to the Board are made on merit and against objective performance criteria.

Corporate Governance Report

During the financial year ended 31 March 2008, the NC conducted 2 meetings and the attendance was as follows:-

Name of Directors	Appointment	Number of meetings held for the term of office of the relevant director	Attendance
Mr Michael Yap Kiam Siew	Independent	2	2
Mr Lee Wan Lik	Executive	2	2
Mr Chan Ching Chuen (appointed on 1 February 2008)	Independent	0	0
Mr Yap Wai Ming (retired on 27 July 2007)	Independent	1	1

To help build a culture of performance and stewardship amongst its Board members, the Group ensures that all the Directors step down and offer 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 retirement and election at the AGM immediately following his appointment and thereafter, be subjected to retirement by rotation.

Each member of the NC shall abstain from voting on any resolution with respect to the assessment of his performance for re-nomination as a Director.

The NC recommended to the Board the appointment of Mr Chan Ching Chuen as independent non-executive Director of the Company following the retirement of Mr Yap Wai Ming as independent non-executive Director of the Company on 27 July 2007.

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 assessment of each Director's performance.

The NC has initiated the assessment of the effectiveness of the Board in this financial year, by getting the Directors to conduct self-assessments through a questionnaire. The questionnaire covers areas such as the effectiveness of the Board in its monitoring role and the attainment of the strategic and long term objectives set by the Board, as well as the enhancement of the long-term shareholders' value. The results and conclusions of assessment are then presented to the Board for action plans to be drawn up to address areas which required improvement.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the management provides the Board with management reports containing complete, adequate and timely information prior to the Board meetings and as and when the need arises. Papers containing relevant background or explanatory information required to support the decision-making process, are prepared for each Board meeting and are normally circulated in advance of the meeting.

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. The Company Secretaries also advise the Board on governance matters, and assist the Board on compliance with the Company's Bye-laws and relevant rules and regulations, including requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST).

Corporate Governance Report

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises Mr Michael Yap Kiam Siew as Chairman and Mr Koji Miura and Mr Chan Ching Chuen as members. During the financial year ended 31 March 2008, the RC has conducted 1 meeting and the attendance was as follows:

Name of Directors	Appointment	Number of meetings held for the term of office of the relevant director	Attendance
Mr Michael Yap Kiam Siew	Independent	1	1
Mr Koji Miura (appointed on 28 May 2007)	Independent	1	1
Mr Chan Ching Chuen (appointed on 1 February 2008)	Independent	0	0
Mr Yap Wai Ming (retired on 27 July 2007)	Independent	1	1

The RC is responsible for:-

(a) recommending to the Board a remuneration framework for the Board and Key Executive Officers, and determining a specific remuneration package for each Executive Director and the Managing Director (or executive of equivalent rank). The RC will consider all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and

(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 director's fee. 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 or their individual performance.

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

Directors' remuneration

Remuneration band and name of Directors	Salary	Bonus	Director's fees	Incentive and other benefits	Total
<S$250,000					
Lee Wan Lik	98%	–	–	2%	100%
<S$100,000					
Mr Michael Yap Kiam Siew	–	–	100%	–	100%
Mr Koji Miura	–	–	100%	–	100%
Mr Chan Ching Chuen	–	–	100%	–	100%
Ms Lam Pui Wan	100%	–	–	–	100%
Mr Yap Wai Ming (retired on 27 July 2007)	–	–	100%	–	100%

Remuneration band and name of 4 key executives	Salary	Bonus	Incentive and other benefits	Total
<S$250,000				
Ms Mary Rose T. Tan	–	–	–	100%
Mr Rene Toling Lindio	–	–	–	100%
Mr Tao Wing Hong	79%	–	21%	100%
Ms Peggy Sam	82%	–	18%	100%

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

There are no employees who are immediate family members of a Director whose remuneration exceeded $150,000 in the financial year ended 31 March 2008.

Share option scheme

The Company has a share option scheme known as the 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, so as to incentivise and 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.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is accountable to the shareholders while the management is accountable to the Board.

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.

In order to keep the Board informed about the developments in the Company, the management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis. The management also provides the Board with timely, accurate and complete information on all matters requiring the Board's decision.

Corporate Governance Report

Principle 11: Audit committee (“AC”)

The AC comprises three independent non-executive directors, with Mr Koji Miura as Chairman, and Mr Michael Yap Kiam Siew and Mr Chan Ching Chuen as members. The AC has met twice during the financial year ended 31 March 2008 and the attendance was as follows:-

Name of Directors	Appointment	Number of meetings held for the term of office of the relevant director	Attendance
Mr Koji Miura	Independent	2	2
Mr Michael Yap Kiam Siew	Independent	2	2
Mr Yap Wai Ming (retired on 27 July 2007)	Independent	1	1
Mr Chan Ching Chuen (appointed on 1 February 2008)	Independent	0	0

The AC 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 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, the AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, 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 the AC 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, so as to enable it to discharge its functions properly.

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

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

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 shareholders’ investment and the Group’s assets and business. The Company has appointed Grant Thornton as its internal auditors to review the effectiveness of the Company’s internal controls subject to the scope of work agreed with the AC and the resulting report issued by the internal auditors is reviewed in detail by the AC in conjunction with management.

For FY2008, the Board is of the view that based on the reports from the internal 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 timeliness 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 website (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. At each Annual General Meeting, the Board invites and allocates sufficient time for shareholders to participate in the 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 law and regulations and the Company's policies.

Dealings in Securities

The Directors of the Company have adopted a Code of Best Practices on Securities Transactions by Officers to govern the dealings in securities by the directors and officers of the group, which is modelled on the Best Practices Guide introduced by the SGX-ST.

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 in emphasising that they must not deal in the listed securities of the Group in the period of one month before the release of the half-yearly and full-year financial results, 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 2008

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2008 and the balance sheet of the Company as at 31 March 2008.

Directors

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

Mr Lee Wan Lik
Ms Lam Pui Wan
Mr Koji Miura
Mr Michael Yap Kiam Siew
Professor Chan Ching Chuen (appointed on 1 February 2008)

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 was 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 shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.3.2008	At 1.4.2007	At 31.3.2008	At 1.4.2007
Company				
(No. of ordinary shares)				
Mr Lee Wan Lik	80,321,326[1]	80,948,458[1]	153,000,000[2]	153,000,000[2]
Ms Lam Pui Wan	14,000,000[1]	14,000,000[1]	153,000,000[2]	153,000,000[2]

(1) 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 to be interested in the shareholdings held by each other.

(2) 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 equity interest of 10% and 90% 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 2008 remained unchanged from those at 31 March 2008.

Directors' contractual benefits

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, except as disclosed in the accompanying financial statements, and except that Mr Lee Wan Lik and Ms Lam Pui Wan have employment relationships with a subsidiary and have received remuneration in those capacities.

Share options

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 Koji Miura
3. Professor Chan Ching Chuen (appointed on 1 February 2008)

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

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

Independent auditors

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

On behalf of the directors

LEE WAN LIK
Director

LAM PUI WAN
Director

23 June 2008

Statement by The 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 22 to 57 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 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

23 June 2008

Independent Auditors' Report

To the members of Azeus Systems Holdings Ltd.

We have audited the accompanying financial statements of Azeus Systems Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 22 to 57, which comprise the balance sheets of the Company and of the Group as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the 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 respects, the state of affairs of the Company and of the Group as at 31 March 2008, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers
Public Accountants and Certified Public Accountants

Singapore, 23 June 2008

Consolidated Income Statement

For The Financial Year Ended 31 March 2008

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Sales	4	75,390	92,300
Cost of sales		(42,810)	(56,799)
Gross profit		32,580	35,501
Other income	7	2,724	1,712
Other gains - net	8	2,104	576
Expenses			
- Selling and marketing		(9,745)	(8,924)
- Administrative		(18,717)	(15,388)
Share of loss of a joint venture	17	(821)	–
Profit before income tax		8,125	13,477
Income tax expense	9	(934)	(2,807)
Net profit		7,191	10,670
Attributable to:			
Equity holders of the Company		7,191	10,670
Earnings per share for profit attributable to equity holders of the Company (HK cents per share)			
- Basic	10	2.40	3.56
- Diluted	10	2.40	3.56

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 31 March 2008

	Note	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	75,079	75,624	408	615
Trade and other receivables	12	14,760	21,492	66,014	69,458
Unbilled revenue on service contracts	14	24,611	21,277	–	–
Amount due from a joint venture	15	81	–	–	–
Current income tax assets	9	1,567	1,318	–	–
		116,098	119,711	66,422	70,073
Non-current assets					
Available for sale financial assets	16	4,648	4,191	–	–
Refundable deposits		209	–	–	–
Investment in a joint venture	17	739	–	1,560	–
Investments in subsidiaries	18	–	–	45,575	46,054
Property, plant and equipment	19	840	1,145	–	–
Intangible assets	20	–	–	–	–
Deferred income tax assets	23	688	–	–	–
		7,124	5,336	47,135	46,054
Total assets		123,222	125,047	113,557	116,127
LIABILITIES					
Current liabilities					
Trade and other payables	21	9,060	8,580	2,327	749
Current income tax liabilities	9	68	–	–	–
		9,128	8,580	2,327	749
Non-current liability					
Provision for retirement benefit	22	577	329	–	–
		577	329	–	–
Total liabilities		9,705	8,909	2,327	749
NET ASSETS		113,517	116,138	111,230	115,378
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	46,800	46,800	46,800	46,800
Share premium		56,489	56,489	56,726	56,726
Foreign currency translation reserve		102	132	–	–
Other reserves	25	1,291	482	–	–
Retained earnings	26	8,835	12,235	7,704	11,852
Total equity		113,517	116,138	111,230	115,378

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For The Financial Year Ended 31 March 2008

	Note	Attributable to equity holders of the Company					
		Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total equity HK$'000
2008							
Beginning of financial year		46,800	56,489	132	482	12,235	116,138
Currency translation differences		–	–	(30)	–	–	(30)
Available-for-sale financial assets - Fair value gains	25	–	–	–	457	–	457
Net income recognised directly in equity		–	–	(30)	457	–	427
Net profit		–	–	–	–	7,191	7,191
Total recognised income		–	–	(30)	457	7,191	7,618
Employee share-based payment cost	25	–	–	–	352	–	352
Dividend relating to 2007 paid	27	–	–	–	–	(10,591)	(10,591)
End of financial year		46,800	56,489	102	1,291	8,835	113,517
2007							
Beginning of financial year		46,800	56,489	41	(69)	16,319	119,580
Currency translation differences		–	–	91	–	–	91
Available-for-sale financial assets - Fair value gains	25	–	–	–	40	–	40
Net income recognised directly in equity		–	–	91	40	–	131
Net profit		–	–	–	–	10,670	10,670
Total recognised income		–	–	91	40	10,670	10,801
Employee share-based payment cost	25	–	–	–	511	–	511
Dividend relating to 2006 paid	27	–	–	–	–	(14,754)	(14,754)
End of financial year		46,800	56,489	132	482	12,235	116,138

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For The Financial Year Ended 31 March 2008

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Cash flows from operating activities			
Net profit		7,191	10,670
Adjustments for:			
- Income tax expense		934	2,807
- Depreciation of property, plant and equipment		616	641
- Loss on disposal of property, plant and equipment		32	–
- Share of loss of a joint venture		821	–
- Interest income		(2,584)	(1,672)
- Dividend income		(140)	(40)
- Employee share-based payment costs		352	511
- Retirement benefit plan		806	283
- Unrealised translation (gains)/losses		(101)	59
		7,927	13,259
Change in working capital			
- Trade and other receivables		6,732	(13,318)
- Unbilled revenue on service contracts		(3,334)	34,348
- Amount due from a joint venture		(1,641)	–
- Inventories		–	3,146
- Trade and other payables		480	(2,730)
- Refundable deposits		(209)	–
Cash generated from operations		9,955	34,705
Income tax paid		(1,803)	(5,531)
Net cash provided by operating activities		8,152	29,174
Cash flows from investing activities			
Purchases of property, plant and equipment		(228)	(330)
Increase in deposits with original maturity over three months		(10,543)	–
Increase in pledged bank deposits		(2,037)	–
Interest received		2,584	1,672
Contributions to retirement fund		(602)	–
Dividend received		140	40
Net cash (used in)/provided by investing activities		(10,686)	1,382
Cash flows from financing activities			
Dividends paid to equity holders of the Company		(10,591)	(14,754)
Net cash used in financing activities		(10,591)	(14,754)
Net (decrease)/increase in cash and cash equivalents		(13,125)	15,802
Cash and cash equivalents at beginning of financial year	11	75,624	59,822
Cash and cash equivalents at end of financial year	11	62,499	75,624

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

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

1. General information

Azeus Systems Holdings Ltd. (the "Company") is incorporated 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. The principal place of business of the Company is 33rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

The Company is listed on the Singapore Exchange.

The principal activity of the Company is that of an investment holding company. During the financial year, the Company acquired 50% shareholding of Great (Bermuda) Island Scientific Ltd. The principal activities of the joint venture and subsidiaries are set out in Note 17 and 18.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2007

On 1 April 2007, the Group adopted the new or revised FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for annual periods commencing after 1 January 2007. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

Amendments to FRS 1	Presentation of Financial Statements - Capital Disclosures
FRS 107	Financial Instruments: Disclosures
INT FRS 108	Scope of FRS 102
INT FRS 111	Group and Treasury Share Transactions

The adoption of the above FRS or INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

2.2 Revenue recognition

Sales comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria for each of the Group's activities are met as follows:

(a) *Service contracts*

A service contract is a contract specifically negotiated for the provision of IT services, including sales of hardware and software products as required under the relevant contract terms.

When the outcome of a service contract can be estimated reliably, contract revenue for the provision of IT services 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. When the outcome of a service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable.

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. 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 and are presented as inventories or unbilled revenue on service contracts depending on their nature.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as unbilled revenue on service contracts in the balance sheet. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on service contracts.

(b) *Maintenance fees*

Maintenance fees are recognised pro-rata over the period of maintenance. Fees relating to future periods are treated as advances from customers within "trade and other payables" in the balance sheet.

(c) *Support services fees and business process outsourcing fees*

Support service fees and business process outsourcing fees are recognised when the services are rendered.

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

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

2.3 Group accounting

(a) *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority 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.

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries (continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of minority interest. Please refer to Note 2.5 for the accounting policy on goodwill on acquisitions of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Please refer to Note 2.6 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Joint ventures*

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting.

Investments in joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Please refer to Note 2.6 for the accounting policy on investments in joint ventures in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold improvements and furniture and fixtures	3 - 5 years
Office equipment	2 - 5 years
Computer equipment	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings.

2.5 Intangible assets

Goodwill on acquisition

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiaries and joint ventures at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and joint ventures include the carrying amount of goodwill relating to the entity sold.

2.6 Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

2. Significant accounting policies (continued)

2.7 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in a joint venture is for tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units (CGU) expected to benefit from synergies of the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of a CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

(b) Property, plant and equipment Investments in subsidiaries and joint ventures

Property, plant and equipment and investments in subsidiaries and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(a) *Classification (continued)*

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” and “cash and cash equivalents” on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds and is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in the income statement. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the income statement and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(e) Impairment (continued)

(i) Loans and receivables (continued)

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the fair value reserve is transferred to the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement on debt securities. The impairment losses recognised in the income statement on equity securities are not reversed through the income statement.

2.9 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method.

2.10 Operating leases - lessee

Leases of assets where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the lease.

2.11 Income taxes

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Significant accounting policies (continued)

2.11 Income taxes (continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.12 Employee compensation

(a) Employee leave entitlements

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.

(b) 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 on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

(c) Defined benefit plans

Defined benefits plans are post-employment benefit pension plans other than defined contribution plans.

The Group has a pension plan for the employees of its subsidiary in accordance with the local conditions and practices in the Philippines. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. A defined benefit plan typically defines the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

2. Significant accounting policies (continued)

2.12 Employee compensation (continued)

(c) *Defined benefit plans (continued)*

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are recognised in the income statement over the employees' expected average remaining working lives.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(d) *Share grant*

A controlling shareholder has implemented a share grant incentive scheme for certain key employees. Under this incentive, the managing director and controlling shareholder will transfer ordinary shares from his personal shareholding to such employees from time to time. The number of shares to be transferred and the terms of such transfers will be in his absolute discretion, and entitled employees will be providing no, nominal or discounted consideration for such transfers.

The fair value of the employee services received in exchange for the grant of the shares from the controlling shareholder is recognised as an expense in the income statement with a corresponding increase in the reserve on the date of grant. The fair value of the employee services received is determined from the quoted market value of the shares granted in consideration of the services performed at the date of the grant. The shares vest immediately upon being granted.

(e) *Termination benefits*

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.13 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement.

Non-monetary items are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. Significant accounting policies (continued)

2.13 Currency translation (continued)

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 April 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet. For acquisitions prior to 1 April 2005, the exchange rates at the dates of acquisition are used.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.16 Dividends to Company's shareholders

Interim dividends are recognised when they are declared payable. Final dividends are recognised when the dividends are approved for payments.

2.17 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current ask prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amount.

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

3. Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

The Group recognises contract revenue for provision of IT services based on the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract.

Significant judgement is required in determining the estimated total contract costs. In making the judgement, the Group evaluates by relying on past experience and the work of specialists. If the estimated total costs for the contract differ by 10% from management's estimates, the Group's revenue will decrease/increase by approximately HK$3,200,000 and HK$3,900,000 respectively.

4. Revenue

	Group	
	2008 HK$'000	2007 HK$'000
IT services, including sales of hardware and software	41,453	69,767
Maintenance and support services	24,562	14,646
Business process outsourcing	9,375	7,887
Total sales	75,390	92,300

5. Expenses by nature

	Group	
	2008 HK$'000	2007 HK$'000
Purchases of hardware and software	1,474	13,233
Depreciation of property, plant and equipment (Note 19)	616	641
Employee compensation (Note 6)	53,741	50,662
Rental expense on operating leases	2,959	2,291
Legal and professional fees	1,175	1,251
Repairs and maintenance expenses	1,307	1,315
Licences	947	2,101
Other expenses	9,053	9,617
Total cost of sales, selling and marketing and administrative expenses	71,272	81,111

6. Employee compensation

	Group	
	2008	2007
	HK$'000	HK$'000
Wages and salaries	49,640	46,808
Employer's contribution to defined contribution plans	2,978	3,087
Provision/(write-back) for unutilised annual leave	19	(144)
Employee share-based payment cost (Note 25)	352	511
Retirement benefit cost	806	283
(Write-back)/provision for long-service payment	(54)	117
	53,741	50,662

7. Other income

	Group	
	2008	2007
	HK$'000	HK$'000
Interest income	2,584	1,672
Dividend income	140	40
	2,724	1,712

8. Other gains - net

	Group	
	2008	2007
	HK$'000	HK$'000
Currency translation gain - net	2,104	576

9. Income taxes

(a) Income tax expense

	Group	
	2008	2007
	HK$'000	HK$'000
Tax expense attributable to profit is made up of:		
- Current income tax - foreign	1,551	2,769
- Deferred income tax (Note 23)	(688)	202
	863	2,971
Under/(over) provision in prior financial years		
- Current income tax - foreign	71	(34)
- Deferred income tax (Note 23)	–	(130)
	934	2,807

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

9. Income taxes (continued)

(a) Income tax expense (continued)

The tax expense on profit differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated companies is as explained below:

	Group	
	2008 HK$'000	2007 HK$'000
Profit before tax	8,125	13,477
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,990	2,799
Income not subject to tax	(474)	(290)
Expenses not deductible for tax purposes	152	9
Temporary differences not recognised	18	159
Recognition of previously unrecognised temporary differences	(717)	–
De-recognition of deferred income tax assets	–	202
Other	(106)	92
Tax charge	863	2,971

The weighted average applicable tax rate was 24% (2007: 21%).

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

(i) *Current income tax assets*

	Group	
	2008 HK$'000	2007 HK$'000
Beginning of financial year	(1,318)	1,478
Income tax paid	(1,765)	(5,531)
Tax expense	1,445	2,769
Under/(over) provision in prior financial years	71	(34)
End of financial year	(1,567)	(1,318)

(ii) *Current income tax liabilities*

	Group	
	2008 HK$'000	2007 HK$'000
Beginning of financial year	–	–
Income tax paid	(38)	–
Tax expense	106	–
End of financial year	68	–

10. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2008	2007
Net profit attributable to equity holders of the Company (HK$'000)	7,191	10,670
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	300,000	300,000
Basic earnings per share (HK cents)	2.40	3.56
Diluted earnings per share (HK cents)	2.40	3.56

Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares at 31 March 2008 and 31 March 2007.

11. Cash and cash equivalents

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Cash at bank and on hand	16,880	30,570	408	615
Short-term bank deposits	58,199	45,054	–	–
	75,079	75,624	408	615

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	Group	
	2008 HK$'000	2007 HK$'000
Cash and bank balances (as above)	75,079	75,624
Less: Time deposits with original maturity over three months	(10,543)	–
Bank deposits pledged	(2,037)	–
Cash and cash equivalents per consolidated cash flow statement	62,499	75,624

Included in the cash and cash equivalents are bank deposits amounting to HK$2,037,000 (2007:Nil) which are not freely remissible for use by the Group as they have been pledged as security for a performance bond issued by a bank on behalf of the Group.

Short-term bank deposits at the balance sheet date had an average maturity of 80 days (2007: 20 days) from the end of the financial year with the following weighted average effective interest rates:

	Group		Company	
	2008 %	2007 %	2008 %	2007 $
Hong Kong Dollar	1.4	3.0	–	–
United States Dollar	–	5.0	–	–

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12. Trade and other receivables

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade receivables - Non-related parties	11,667	18,088	–	–
Less: Allowance for impairment of receivables	(178)	–	–	–
	11,489	18,088	–	–
Amount due from subsidiaries - non-trade (Note 13)	–	–	65,837	69,458
Other receivables, prepayments and deposits	3,271	3,404	177	–
	14,760	21,492	66,014	69,458

13. Amounts due from/to subsidiaries

The non-trade amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand. At the balance sheet date, the fair values of non-trade amounts due to/from subsidiaries approximate their carrying amounts.

14. Unbilled revenue on service contracts

	Group	
	2008 HK$'000	2007 HK$'000
Aggregate contract costs incurred and profits recognised (less losses recognised) to date	156,300	143,400
Less: Progress billings	(131,689)	(122,123)
	24,611	21,277

15. Amount due from a joint venture

The amount due from a joint venture is unsecured, interest-free and is repayable on demand. At the balance sheet date, the fair value of the amount due from a joint venture approximates its carrying amount.

16. Available-for-sale financial assets

	Group	
	2008 HK$'000	2007 HK$'000
Beginning of financial year	4,191	4,151
Fair value gains recognised in equity (Note 25)	457	40
End of financial year	4,648	4,191

The available-for-sale financial assets of HK$4,648,000 (2007: HK$4,191,000) have been pledged as security for the performance bonds issued by a bank on behalf of the Group amounting to HK$2,700,000 (2007: HK$4,748,000).

17. Investment in a joint venture

During the financial year, the Company invested in a 50% equity interest at a cost of HK$1,560,000 in Great (Bermuda) Island Scientific Ltd. ("Bermuda Scientific"), which provides enterprise learning management system. Bermuda Scientific is deemed to be a joint venture of the Company as the appointment of its directors and the allocation of voting rights for key business decisions, require the unanimous approval of its venturers.

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Equity investments at cost			1,560	–
Beginning of financial year	–	–		
Acquisition of a joint venture	1,560	–		
Share of losses	(821)	–		
End of financial year	739	–		

The Group's share of the results of the joint venture, which is unlisted, and its share of the assets and liabilities are as follows:

	2008 HK$'000	2007 HK$'000
Assets		
Current assets	1,560	–
Non-current assets	–	–
	1,560	–
Liabilities		
Current liabilities	(821)	–
Non-current liabilities	–	–
	(821)	–
Net assets	739	–
Expenses	(821)	–
Net loss	(821)	–
Share of a joint venture's contingent liabilities incurred jointly with other investors	–	–
Contingent liabilities in which the Group is severally liable	–	–

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

17. Investment in a joint venture (continued)

Details of the joint venture are as follows:

Name of Company	Country of business/ incorporation	Principal activities	Equity holding	
			2008 %	2007 %
Great (Bermuda) Island Scientific Ltd [(a)]	Hong Kong / Bermuda	Sell products relating to provision of computer services, advisory services and maintenance services relating to computer hardware and software and learning management computer systems.	50	–

(a) Not required to be audited under the laws of the country of incorporation

18. Investments in subsidiaries

	Company	
	2008 HK$'000	2007 HK$'000
Equity investments at cost		
Beginning of financial year	46,054	41,510
Additional investment in subsidiary	–	8,000
Less: Allowance for impairment	(479)	(3,456)
End of financial year	45,575	46,054

Impairment charge pertaining to the investment in a subsidiary, BIGontheNet Pte Ltd, of HK$479,000 (2007: HK$3,456,000) was included in administrative expenses in the income statement of the Company. The impairment charge arose as the subsidiary incurred losses in the current financial year, causing its estimated recoverable amount to decrease below its carrying amount. The recoverable amount of the asset is its fair value less costs to sell. Fair value less costs to sell is determined by reference to the net amount receivable from the realisation of the subsidiary's assets and the settlement of its liabilities at the end of the financial year.

In the prior financial year, the Company injected additional capital of HK$8,000,000 into Azeus Systems Limited.

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

18. Investments in subsidiaries (continued)

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

Name of subsidiary	Country of business/ incorporation	Principal activities	Equity holding 2008 %	Equity holding 2007 %
Held by the Company				
Azeus Systems Limited [a]	Hong Kong	IT consulting, project management and systems implementation	100	100
Azeus Systems Manila BVI [b]	British Virgin Islands	Investment holding	100	100
Azeus Systems Philippines Limited [f]	Philippines/N.A.	Software development	N.A.	N.A.
BIGontheNet Pte Ltd [c]	Singapore	Dormant	100	100
Held by the subsidiaries				
Azeus Systems Philippines, Inc. [d]	Philippines	Dormant	100	100
Azeus Systems (Dalian) Co., Ltd [e]	People's Republic of China	Software development	100	100

N.A. = not applicable

(a) Audited by PricewaterhouseCoopers, Hong Kong.

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

(c) Audited by PricewaterhouseCoopers, Singapore.

(d) Audited by PricewaterhouseCoopers, Philippines.

(e) Financial year ends on 31 December and audited by Liaoning Mingke Certified Public Accountants Co., Ltd 辽宁明科会计师事务所有限公司, a local audit firm in the People's Republic of China.

(f) Azeus Systems Philippines Limited is a branch of Azeus Systems Manila BVI, registered in Philippines, and is audited by PwC Philippines.

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19. Property, plant and equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Group					
2007					
Cost					
Beginning of financial year	1,222	1,550	49	3,112	5,933
Currency translation differences	201	93	18	65	377
Additions	14	31	35	148	228
Disposals	–	–	–	(1,437)	(1,437)
End of financial year	1,437	1,674	102	1,888	5,101
Accumulated depreciation					
Beginning of financial year	864	1,254	20	2,650	4,788
Currency translation differences	145	51	15	51	262
Depreciation charge	229	133	12	242	616
Disposals	–	–	–	(1,405)	(1,405)
End of financial year	1,238	1,438	47	1,538	4,261
Net book value					
End of financial year	199	236	55	350	840
2006					
Cost					
Beginning of financial year	1,122	1,413	51	2,858	5,444
Currency translation differences	100	38	12	39	189
Additions	–	99	16	215	330
Disposals	–	–	(30)	–	(30)
End of financial year	1,222	1,550	49	3,112	5,933
Accumulated depreciation					
Beginning of financial year	607	1,117	32	2,286	4,042
Currency translation differences	69	21	11	34	135
Depreciation charge	188	116	7	330	641
Disposals	–	–	(30)	–	(30)
End of financial year	864	1,254	20	2,650	4,788
Net book value					
End of financial year	358	296	29	462	1,145

20. Intangible asset

Goodwill arising on consolidation

	Group	
	2008 HK$'000	2007 HK$'000
Cost		
Beginning and end of financial year	939	939
Accumulated amortisation and impairment		
Beginning and end of financial year	939	939
Net book value	–	–

21. Trade and other payables

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Other accrual for operating expenses	4,103	3,496	663	645
Advances received from customers	4,957	5,084	–	–
Amount due to a joint venture	–	–	1,560	–
Amount due to a subsidiary-non-trade (Note 13)	–	–	104	104
	9,060	8,580	2,327	749

The amount due to a joint venture relates to the capital contribution to be paid upon the investment in the joint venture. The amount is to be paid within the next 12 months from the balance sheet date.

22. Provision for retirement benefit

The Group has a non-contributory retirement benefit plan (the "Plan") covering substantially all its regular employees in Philippines approved on 17 March 2007. Under the Plan, normal retirement age is 60 years. The retirement plan is intended to provide benefit payments to members with at least 3 years of credited service. The Plan provides a retirement benefit ranging from 175% to 225% of plan salary for every year of credited service.

The amount recognised in the balance sheets is determined as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Present value of funded benefit obligations	4,547	2,448
Fair value of plan assets	(1,037)	(362)
	3,510	2,086
Unrecognised actuarial losses	(2,933)	(1,757)
Liability recognised in balance sheet	577	329

Notes to the Financial Statements

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22. Provision for retirement benefit (continued)

The movement in the present value of obligation is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Beginning of financial year	2,448	352
Currency translation differences	321	94
Interest cost	261	44
Current service cost	522	259
Actuarial losses	995	1,699
End of financial year	4,547	2,448

The movement in the fair value of plan assets is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Beginning of financial year	362	330
Currency translation differences	40	24
Expected return on plan assets	34	21
Contributions paid	602	–
Actuarial gains	(1)	(13)
End of financial year	1,037	362

The amounts recognised in the income statement are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Current service cost	522	259
Interest cost	261	44
Expected return on plan assets	(34)	–
Net actuarial gain recognised during the year	57	(20)
	806	283

Of the total retirement benefit expense HK$741,000 (2007: HK$257,000) and HK$65,000 (2007: HK$26,000) were included in cost of sales and administrative expenses respectively.

Experience adjustment on retirement benefit obligation for the financial year ended 31 March 2008 amounted to HK$466,000.

22. Provision for retirement benefit (continued)

The movement in the provision for retirement benefit is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of financial year	329	34
Currency translation differences	44	12
Charged to income statement	806	283
Contributions paid	(602)	–
End of financial year	577	329

The principal actuarial assumptions used were as follows:

	Group	
	2008	2007
Discount rate	9%	9%
Expected return on plan assets	8%	8%
Future salary increases	8%	8%
Average remaining working life in years	31.6	31.2
Average years of past service	6.1	6.2

The expected return on plan assets was determined by considering the expected returns used by the local Philippines banks on projected market yields of comparable investments.

The actual return on plan assets was HK$31,000 (2007: HK$7,000).

Expected contribution to the plan for the financial year ending 31 March 2009 is HK$596,000.

23. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred income tax assets:		
- to be recovered after one year	(688)	–

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

23. Deferred income taxes (continued)

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

Movement in deferred income tax account is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of financial year	**–**	(82)
Currency translation differences	**–**	10
Tax (credited)/charged to income statement (Note 9)	**(688)**	72
End of financial year	**(688)**	–

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

Group

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000
2008	
Beginning of end of financial year	–
2007	
Beginning of financial year	130
Credited to income statement	(130)
End of financial year	–

Group

Deferred income tax assets

	Tax losses HK$'000	Retirement benefits HK$'000	Other HK$'000	Total HK$'000
2008				
Beginning of financial year	–	–	–	–
Credited to income statement	(339)	(23)	(326)	(688)
End of financial year	(339)	(23)	(326)	(688)
2007				
Beginning of financial year	(110)	(102)	–	(212)
Currency translation differences	5	5	–	10
Charged to income statement	105	97	–	202
End of financial year	–	–	–	–

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group had unrecognised tax losses of HK$7,952,000 (2007: HK$9,610,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by the company with unrecognised tax losses in its respective country of incorporation, and are available to be carried forward for the next five financial years in accordance with the relevant tax law of the country in which this company operates.

24. Share capital

	Issued share capital	
	No. of shares '000	HK$'000
2008 and 2007		
Beginning and end of financial year	300,000	46,800

The total authorised number of ordinary shares is 400 million shares (2007: 400 million shares) with a par value of US$0.02 per share (2007: US$0.02 per share). All issued shares are fully paid.

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. Other reserves

	Group		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Composition:				
Fair value reserve	(37)	(494)	–	–
Employee share-based payment reserve	1,328	976	–	–
	1,291	482	–	–
(b) Movements:				
(i) *Fair value reserve*				
Beginning of financial year	(494)	(534)	–	–
Available-for-sale financial assets - Fair value gains (Note 16)	457	40	–	–
End of financial year	(37)	(494)	–	–
(ii) *Employee share-based payment reserve*				
Beginning of financial year	976	465	–	–
Employee share-based payment cost (Note 6)	352	511	–	–
End of financial year	1,328	976	–	–

The employee share-based payment cost relates to share-based payments during the financial year pursuant to a share grant incentive for certain key employees which is implemented by the controlling shareholder to reward these employees (see Note 2.12(d)). During the financial year, the controlling shareholder transferred 627,132 shares (2007: 1,483,097 shares) from his personal shareholdings to the employees, at a weighted average price of HK$0.56 (2007: HK$0.34) per share. The estimated fair value of HK$352,000 (2007: HK$511,000) has been recorded as an increase in other reserves with a corresponding expense in the income statement under employee compensation (Note 6).

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

26. Retained earnings

Movement in retained earnings for the Company is as follows:

	Company	
	2008 HK$'000	2007 HK$'000
Beginning of financial year	11,852	16,651
Net profit	6,443	9,955
Dividends paid (Note 27)	(10,591)	(14,754)
End of financial year	7,704	11,852

27. Dividends

	Group and Company	
	2008 HK$'000	2007 HK$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of HK3.56 cents (2007: HK4.90 cents) per share	10,591	14,754

At the Annual General Meeting on 28 July 2008, a final dividend of HK2.40 cents per share amounting to a total of HK$7,191,000 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 2009.

28. Commitments

Operating lease commitments

The Group leases office premises from non-related parties under non-cancellabe operating lease agreements. The leases have varying terms and renewal rights.

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

	Group	
	2008 HK$'000	2007 HK$'000
Not later than one year	3,815	1,222
Between one and five years	9,893	98
	13,708	1,320

29. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

The Group's exposures to financial risks are set out below.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Hong Kong, the People's Republic of China and the Philippines. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the Hong Kong Dollar ("HKD"), Chinese Yuan or Renminbi ("RMB") and Philippine Peso ("PESO").

Currency risk arises when transactions are denominated in foreign currencies. The Group is exposed to currency risk on sales and purchases that are denominated primarily in PESO and United States Dollar ("USD"). In addition, the Group is exposed to currency translation risk on the net assets in foreign operations.

The Group manages currency risk by matching assets and liabilities in the same currency denomination and supplemented with appropriate financial instruments where necessary.

The Group's currency exposure based on the information provided to key management is as follows:

	HKD HK$'000	USD HK$'000	SGD HK$'000	RMB HK$'000	PESO HK$'000	Total HK$'000
At 31 March 2008						
Financial assets						
Cash and cash equivalents	27,071	44,675	1,471	424	1,438	75,079
Available-for-sale financial assets	2,592	2,056	–	–	–	4,648
Unbilled revenue on service contracts	12,952	11,659	–	–	–	24,611
Amount due from a joint venture	–	81	–	–	–	81
Trade and other receivables excluding prepayments	1,885	10,378	15	42	1,314	13,634
	44,500	68,849	1,486	466	2,752	118,053
Financial liabilities						
Other financials liabilities excluding advances from customers	(2,361)	–	(705)	(9)	(1,028)	(4,103)
	(2,361)	–	(705)	(9)	(1,028)	(4,103)
Net financial assets - currency exposure	42,139	68,849	781	457	1,724	113,950

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

29. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

	HKD HK$'000	USD HK$'000	SGD HK$'000	RMB HK$'000	PESO HK$'000	Total HK$'000
At 31 March 2007						
Financial assets						
Cash and cash equivalents	28,959	44,531	1,284	145	705	75,624
Available-for-sale financial assets	2,234	1,957	–	–	–	4,191
Unbilled revenue on service contracts	3,808	17,469	–	–	–	21,277
Trade and other receivables excluding prepayments	1,495	17,089	176	191	1,117	20,068
	36,496	81,046	1,460	336	1,822	121,160
Financial liabilities						
Other financials liabilities excluding advances from customers	(1,841)	–	(754)	(7)	(894)	(3,496)
	(1,841)	–	(754)	(7)	(894)	(3,496)
Net financial assets - currency exposure	34,655	81,046	706	329	928	117,664

The Company's currency exposure based on the information provided to key management is as follows:

	HKD HK$'000	USD HK$'000	SGD HK$'000	RMB HK$'000	PESO HK$'000	Total HK$'000
At 31 March 2008						
Financial assets						
Cash and cash equivalents	150	197	61	–	–	408
Trade and other receivables excluding prepayments	65,837	–	–	–	–	65,837
	65,987	197	61	–	–	66,245
Financial liabilities						
Other financials liabilities	(104)	(1,560)	(663)	–	–	(2,327)
	(104)	(1,560)	(663)	–	–	(2,327)
Net financial assets/(liabilities) - currency exposure	65,883	(1,363)	(602)	–	–	63,918
At 31 March 2007						
Financial assets						
Cash and cash equivalents	107	405	103	–	–	615
Trade and other receivables excluding prepayments	69,458	–	–	–	–	69,458
	69,565	405	103	–	–	70,073
Financial liabilities						
Other financials liabilities excluding advances from customers	(104)	–	(645)	–	–	(749)
	(104)	–	(645)	–	–	(749)
Net financial assets/(liabilities) - currency exposure	69,461	405	(542)	–	–	69,324

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

As at 31 March 2008 and 2007, the net financial assets denominated in a currency other than the respective functional currencies of the Group entities are mainly in USD. Since HKD and USD are pegged, no significant change in the net financial assets/liabilities position is expected from any changes on the exchange rate between the HKD and USD. Hence, the Group's and Company's currency exposure is insignificant and no foreign currency sensitivity analysis is performed accordingly.

(ii) Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to the Group's cash and cash equivalents placed with banks and financial institutions in Hong Kong and Singapore.

Most of the interest bearing cash and cash equivalents placed with the banks are short-term in nature (Note 11). Variation in short-term interest rate is not expected to have a material impact on the results of the Group.

The sensitivity analysis below have been determined based on the exposure to interest rates for cash and cash equivalents placed with banks and financial institutions in Hong Kong and Singapore at the balance sheet date. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower with all other variables held constant, the Group's profit for the year ended 31 March 2008 would increase/decrease by approximately HK$291,000 (2007: increase/decrease by approximately HK$225,000). No analysis is prepared at the Company level as the sensitivity is immaterial.

(iii) Price risk

The Group is exposed to investment funds price risk because of the investments held by the Group which are classified on the consolidated balance sheet as available-for-sale. These funds were issued by Hang Seng Bank Limited and offer a 100% capital guarantee at maturity. To manage its price risk, the Group diversifies its portfolio.

If prices for these funds change by 9% (2007: 2%) with all other variables including tax rate being held constant, the profit after tax and equity will be:

	2008		2007	
	Increase/(Decrease)			
	Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
Group				
Listed in Hong Kong				
- increased by	–	418	–	84
- decreased by	–	(418)	–	(84)

29. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of only dealing with creditworthy counterparties to mitigate the risk of financial losses from default.

Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Group obtains collateral from its customers. Cash terms, advance payments and letter of credits are required for customers of lower credit standing. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group's trade receivables comprise 12 debtors (2007: 11 debtors).

As at year-end, the Group does not hold any collateral. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's and Company's major classes of financial assets are bank deposits and trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
By geographical areas				
Hong Kong	**11,489**	17,617	**–**	–
Singapore	**–**	163	**–**	–
Other countries	**–**	308	**–**	–
	11,489	18,088	**–**	–
By types of customers				
Non-related parties				
- Public sector	**11,489**	17,780	**–**	–
- Other companies	**–**	308	**–**	–
	11,489	18,088	**–**	–

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's trade receivables not past due does not include receivables that would have been past due or impaired if the terms were not re-negotiated during the financial year. Other financial assets that are neither past due nor impaired consist primarily of advances to employees that are collected through salary deductions and other receivable in which the Group has the right to collect in next twelve months.

29. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Past due 0 to 3 months	**2,778**	37	**–**	–
Past due 3 to 6 months	**–**	395	**–**	–
	2,778	432	**–**	–

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Gross amount	**178**	–	**–**	–
Less: Allowance for impairment	**(178)**	–	**–**	–
	–	–	**–**	–
Beginning of financial year	**–**	–	**–**	–
Allowance made	**(178)**	–	**–**	–
End of financial year	**(178)**	–	**–**	–

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of fund. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group relies on its internal working capital to fund most of its operating and investing activities. The liquidity risk of the Group is minimal as it maintains sufficient liquid funds to meet their normal operating activities without using bank or other borrowings.

As at 31 March 2008 and 2007, all financial liabilities of the Group and Company have a maturity date of less than one year.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure. In order to maintain or achieve an optional capital structure, the Group may issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Group employs shareholders' equity only and does not have any borrowings.

Notes to the Financial Statements

For The Financial Year Ended 31 March 2008

30. Immediate and ultimate holding corporation

The Company's immediate and ultimate holding corporation is Mu Xia Ltd., incorporated in Bermuda.

31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Provision of IT services to a joint venture ("JV")

The JV is jointly controlled by the Company with 50% shareholdings. A subsidiary has provided the application development service to the JV for a fee of HK$1,560,000. The price was negotiated with the JV on a cost plus basis, allowing a margin of approximately 10%.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Salaries and other short-term employee benefits	3,032	3,584
Post-employment benefits	93	125
Share based payment cost	310	165
	3,435	3,874

Included in the above is total compensation to directors of the Company amounting to HK$1,133,000 (2007: HK$1,120,000).

32. Segmental information

The Group operates only in one industry segment, which is the information technology services industry. It operates predominantly in one geographical segment, which is Hong Kong.

33. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below.

(a) *INT FRS 114 FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008)

INT FRS 114 FRS 19 specifies the considerations in determining the cap on defined benefit assets. The Group may benefit from surplus position on defined benefit plans in that further contributions may be reduced by the surplus. However, defined benefit plans may be subject to minimum funding requirements, thereby impairing the ability of the company to benefit from the surplus position. This will place a maximum limit on the asset that can be recognised in respect of such surpluses.

Based on the Group's preliminary assessment, this Interpretation is not expected to have any significant impact to the Group.

33. New or revised accounting standards and interpretations (continued)

(b) *FRS 108 Operating Segments*

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

(c) *Revised FRS 1 Presentation of Financial Statements*

The key impact of application of revised FRS 1 is the presentation of an additional primary statement: the Statement of Comprehensive Income.

The Group will apply FRS 108 and the revised FRS1 from 1 April 2009 and is currently still in the process of assessing the impact on the Group's financial statements.

34. 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 23 June 2008.

Statistics of Shareholdings

As at 23 June 2008

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	1	0.16	50	0.00
1,000 - 10,000	341	54.21	1,709,000	0.57
10,001 - 1,000,000	273	43.40	27,522,624	9.17
1,000,001 AND ABOVE	14	2.23	270,768,326	90.26
TOTAL	629	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	80,321,326	26.77
3	LAM PUI WAN	14,000,000	4.67
4	KHOO TEIK LIANG	4,074,000	1.36
5	ONG KIM KIAT	3,190,000	1.06
6	LIM CHEE NEO	3,000,000	1.00
7	THAM WAI FONG	2,188,000	0.73
8	CITIBANK NOMINEES SINGAPORE PTE LTD	2,032,000	0.68
9	NOMURA SINGAPORE LIMITED	2,000,000	0.67
10	UOB KAY HIAN PTE LTD	1,758,000	0.59
11	LIM & TAN SECURITIES PTE LTD	1,642,000	0.55
12	CHOOI SIEW THIM	1,301,000	0.43
13	CHIN HIN INVESTMENTS PTE LTD	1,150,000	0.38
14	LIM GUAN TECK	1,112,000	0.37
15	TAN JUI YAK	964,000	0.32
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	872,000	0.29
17	LIM GUAN CHIANG ALBERT	850,000	0.28
18	TAO WING HONG	789,751	0.26
19	SAM PUI CHEE PEGGY	751,375	0.25
20	YAP SOH MOOI	714,000	0.24
	TOTAL	275,709,452	91.90

SUBSTANTIAL SHAREHOLDERS

As at 23 June 2008 (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	80,321,326	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 10% and 90% 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 23 June 2008, approximately 17.56% 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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 3pm on Monday, 28 July 2008 at Pearl Room, Level 2, Sheraton Towers Singapore, 39 Scotts Road, Singapore 228230 to transact the following business:-

As Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 March 2008 and the Auditors' Report thereon. [Resolution 1]

2. To declare a first and final dividend of 2.4 Hong Kong Cents per ordinary share for the year ended 31 March 2008. [Resolution 2]

3. To re-elect Mr Lee Wan Lik being a Director who retires by rotation pursuant to Bye-Law 104 of the Company's Bye-Laws. [Resolution 3]

4. To re-elect Ms Lam Pui Wan being a Director who retires by rotation pursuant to Bye-Law 104 of the Company's Bye-Laws. [Resolution 4]

5. To re-elect Professor Chan Ching Chuen being a Director who retires pursuant to Bye-Law 107 of the Company's Bye-Laws. [Resolution 5]

6. To approve the payment of Directors' fees of S$75,000 for the financial year ended 31 March 2008. [Resolution 6]

7. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration. [Resolution 7]

As Special Business

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without amendments.

8. Share Issue Mandate

That pursuant to Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"), 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:-

(i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the total number of the issued shares (excluding treasury shares) 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 total number of the issued shares (excluding treasury shares) of the Company; and

Notice of Annual General Meeting

(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 total number of the issued shares (excluding treasury shares) at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issued, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(iv) 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 8]

9. 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 (the "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 number of the issued shares (excluding treasury shares) of the Company from time to time. [See Explanatory Note (ii)] [Resolution 9]

10. To transact any other business that may be properly transacted at the Annual General Meeting.

By Order of the Board

Paul Michael Fitzgerald / Yap Wai Ming /
Lean Min-tze
Joint Company Secretaries
Singapore
7 July 2008

Notice of Annual General Meeting

Explanatory Notes:

(i) Resolution 8, 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 total number of issued shares (excluding treasury shares) with an aggregate sub-limit of 20% of the Company's total number of issued shares (excluding treasury shares) other than on a pro rata basis to shareholders of the Company. The Company cannot rely on the authority given under Resolution 8 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 9, if passed, will authorise the Directors to offer and grant options in accordance with the provisions of the Azeus Employee Share Option Scheme (the "Scheme") and to allot and issue shares under the Scheme up to an amount not exceeding 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 8 August 2008 for the purpose of determining Members' entitlements to the proposed first and final dividend of 2.40 Hong Kong Cents per ordinary share for the financial year ended 31 March 2008 (the "Proposed Final Dividend").

Duly completed registrable transfers in respect of shares in the Company received up to the close of business at 5.00 p.m. on 7 August 2008 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 3 Church Street, #08-01 Samsung Hub, Singapore 049483 will be registered to determine members' entitlements to the Proposed Final Dividend. Members whose securities accounts with the Central Depository (Pte) Ltd are credited with shares in the Company as at 5.00 p.m. on 7 August 2008, will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved by members at the forthcoming Annual General Meeting to be held on 28 July 2008, will be paid on 22 August 2008.

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, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, 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 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, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Annual General Meeting.

3. If a Depositor wishes to appoint aproxy/proxies, then the Proxy Form must be signed and deposited at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Annual General Meeting.