



AZEUS SYSTEMS HOLDINGS LTD.

Half Year Financial Statement and Dividend Announcement for the period ended 30 September 2004

Part 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Azeus Systems Holdings Ltd. (the "Company") was incorporated in Bermuda on 10 May 2004 and was listed on the SGX Mainboard on 22 October 2004. The Company and its subsidiaries are referred to as the "Group". The Company's financial year end is 31 March. The Company has undertaken a restructuring exercise in connection with its initial public offer. This restructuring exercise was completed in September 2004. For further details of this restructuring exercise, please refer to the Company's prospectus dated 13 October 2004 (the "Prospectus").

The consolidated financial statements (which include the consolidated Group's income statement, balance sheet, cash flow statement and statement of changes in equity) of the Group for the financial period ended 30 September 2004 and 30 September 2003 have been prepared using the "Pooling of Interest" method, as the entities within the Group are under common control before and after the restructuring exercise. Under the pooling of interest method, the financial statements of the Group for the financial period ended 30 September 2004 and the comparatives for 2003 have been presented as if the Group has been in existence since the beginning of the periods being reported on and the assets and liabilities have been brought into the consolidated financial statements at their existing carrying amounts.

Azeus Systems Holdings Ltd.
Group Income Statement
For the first half year ended 30 September 2004
(Expressed in Hong Kong Dollars)

	<u>The Group</u>		
	1 st Half FY2005	1 st Half FY2004	+ / (-)
	(Apr-Sep 04)	(Apr-Sep 03)	
	HK\$ 000	HK\$ 000	%
Sales	21,795	27,899	(22%)
Cost of sales	(14,130)	(11,891)	19%
	-----	-----	
Gross profit	7,665	16,008	(52%)
Selling and marketing expenses	(2,081)	(2,766)	(25%)
Administrative and other operating expenses	(3,924)	(2,662)	47%
	-----	-----	
Profit from operations	1,660	10,580	(84%)
Finance income	9	80	(89%)
	-----	-----	
Profit before tax	1,669	10,660	(84%)
Income tax expense	(343)	(1,866)	(82%)
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Net profit	1,326	8,794	(85%)
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Earnings per share (basis and diluted)	HK\$ 0.006	HK\$ 0.039	
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Note 1			
Profit from operations is derived after crediting/(charging) the following items:-			
Depreciation	(439)	(385)	14%
Unrealised loss on other investments	(269)	-	N/M
Write-off of pre-operating expenses	(408)	-	N/M
Net foreign exchange gain/(loss)	29	(30)	197%
Bank interest received	9	80	(89%)

Note: N/M = not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Azeus Systems Holdings Ltd.
Balance Sheet as at 30 September 2004
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2004	31 March 2004	+ / (-)	30 Sep 2004	31 March 2004	+ / (-)
	HK\$ 000	HK\$ 000	%	HK\$ 000	HK\$ 000	%
Non-current assets						
Property, plant and equipment	1,555	1,582	(2%)	-	-	N/M
Investments in subsidiaries	-	-	-	35,575	-	N/M
Deferred tax asset	94	96	(2%)	-	-	N/M
	-----	-----		-----	-----	
	1,649	1,678		35,575	-	
Current assets						
Cash and cash equivalents	16,915	10,788	57%	94	-	N/M
Pledge bank deposits	204	200	2%	-	-	N/M
Trade and other receivables	6,892	24,395	(72%)	58	-	N/M
Contract work- in- progress	16,156	7,379	119%	-	-	N/M
Other Investments	4,373	2,032	115%	-	-	N/M
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	44,540	44,794		152	-	
Current liabilities						
Trade and other payables	3,135	3,359	(7%)	-	-	N/M
Advances from customers	2,825	3,424	(17%)	-	-	N/M
Amounts due to directors	1,689	1,773	(5%)	390	-	N/M
Current tax liabilities	1,747	2,543	(31%)	-	-	N/M
	-----	-----		-----	-----	
	9,396	11,099		390	-	
Net current assets	35,144	33,695	4%	(238)	-	
Non-current liability						
Deferred tax liabilities	130	130	-	-	-	N/M
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Net assets	36,663	35,243	4%	35,337	-	N/M

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2004	31 March 2004	+ / (-)	30 Sep 2004	31 March 2004	+ / (-)
	HK\$ 000	HK\$ 000	%	HK\$ 000	HK\$ 000	%
REPRESENTED BY:						
Shareholders' capital	35,100	142	N/M	35,100	-	N/M
Reserves	1,563	35,101	N/M	237	-	N/M
	36,663	35,243	4%	35,337	-	N/M

1(b)(ii) Aggregate amount of group's borrowings and debt securities

The Group had no bank borrowings or debt securities as at 30 September 2004 and 31 March 2004.

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

	The Group	
	1st Half FY2005	1st Half FY2004
	(Apr-Sep 2004)	(Apr-Sep 2003)
	HK\$ 000	HK\$ 000
Cash flows from operating activities		
Profit before tax	1,669	10,660
Adjustment for:		
Unrealised loss on other investments	269	-
Depreciation	439	385
Interest income	(9)	(80)
Write-off of pre-operating expenses	408	-
Exchange difference	-	(2)
	<u>2,776</u>	<u>10,963</u>
Operating cash flow before working capital change		
Change in operating assets and liabilities:		
Trade receivables, other receivables, prepayments and deposits	17,096	8,579
Contract work-in-progress	(8,777)	(17,904)
Trade payables and other payables	(224)	(400)
Advances from customers	(599)	1,841
Amounts due to directors	(84)	-
	<u>10,188</u>	<u>3,079</u>
Cash generated from operations		
Income tax paid	(1,138)	(549)
	<u>9,050</u>	<u>2,530</u>
Net cash inflow from operating activities		
Cash flows from investing activities		
Purchase of property, plant and equipment	(412)	(414)
(Decrease)/increase in pledged bank deposits	(4)	2,608
Interest received	9	80
Purchase of other investments	(2,610)	-
	<u>(3,017)</u>	<u>2,274</u>
Net cash (outflow)/inflow from investing activities		

	The Group	
	1st Half FY2005	1st Half FY2004
	(Apr-Sep 2004)	(Apr-Sep 2003)
	HK\$ 000	HK\$ 000
Cash flows from financing activities		
issue of share capital	94	-
Dividends paid to shareholders	-	(1,000)
	—————	—————
Net cash outflow from financing activities	94	(1,000)
Net increase in cash and cash equivalents held	6,127	3,804
Cash and cash equivalents at the beginning of the period	10,788	28,486
	—————	—————
Cash and cash equivalents at the end of the period	16,915	32,290
	—————	—————

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital	Share Premium	Exchange Reserve	Statutory Reserve	Retained Profits	Total
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Group						
Balance as at 1 April 2004 *	142	-	3	112	34,986	35,243
Issue of share capital	94	-	-	-	-	94
Issue of shares pursuant to restructuring exercise in exchange for shares of the subsidiaries	35,006	237	-	-	-	35,243
Adjustment arising from restructuring	(142)	-	(3)	(112)	(34,986)	(35,243)
Net profit for the period	-	-	-	-	1,326	1,326
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 September 2004	35,100	237	-	-	1,326	36,663
Group						
Balance as at 1 April 2003	142	-	(63)	142	41,348	41,569
Dividend	-	-	-	-	(1,000)	(1,000)
Net profit for the period	-	-	-	-	8,794	8,794
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 September 2003	142	-	(63)	142	49,142	49,363
Company						
Balance at 10 May 2004 (date of incorporation)	94	-	-	-	-	94
Net profit for the period	-	-	-	-	-	-
Issue of shares pursuant to restructuring exercise in exchange for shares of the subsidiaries	35,006	237	-	-	-	35,243
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 September 2004	35,100	237	-	-	-	35,337

** These balances represent the share capital, exchange reserve, statutory reserve and retained profits of the subsidiaries prior to the Restructuring exercise.*

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

At the date of incorporation on 10 May 2004, the authorised share capital of the Company was US\$12,000 comprising 12,000 ordinary shares of US\$1.00 each, of which these shares were issued nil-paid. On 3 September 2004, the authorized share capital of the Company was increased to US\$8,000,000 comprising 8,000,000 ordinary shares of US\$1.00 each and 4,488,000 ordinary shares of US\$1.00 each were allotted and issued pursuant to the completion of the Restructuring Exercise. On 6 September 2004, the 12,000 nil-paid shares were fully paid-up.

On 14 September 2004, the Company undertook a restructuring of the share capital by way of subdividing every one ordinary share of US\$1.00 each in the authorized and issued and paid-up share capital of the Company into 50 ordinary shares of US\$0.02 each.

Please also refer to the restructuring exercise undertaken by the Group as set out in the Prospectus. On 22 October 2004, the Company successfully completed its listing and the accompanying initial public offering of its shares on the Singapore Exchange Securities Trading Limited, raising approximately S\$14.7 million, net of issue expenses of approximately S\$1.8 million.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited, or reviewed, the auditor's report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation adopted in the presentation of the proforma group's financial statements presented in the Prospectus.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	The Group	
	1st Half FY2005	1st Half FY2004
Net profit of the Group (HK\$ 000)	1,326	8,794
- Basic earnings per share (HK\$)	0.006	0.039
- Fully diluted earnings per share (HK\$)	Not applicable	Not applicable

Basic earnings per share is calculated by dividing the net profit for the financial period by the pre-invitation number of ordinary shares of 225,000,000.

The fully diluted earnings per share is not applicable as there were no dilutive potential ordinary shares.

7. **Net asset value (for the issuer and the group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year**

	<u>The Group</u>		<u>The Company</u>	
	30 Sept 2004	31 March 2004	30 Sept 2004	31 March 2004
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the existing share capital as at the end of the respective period	0.16	0.16	0.16	Not applicable

Net asset value per ordinary share was calculated based on the pre-invitation share capital of 225,000,000 shares of US\$0.02 each

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; (b) any material factors that affected the cash flow, working capital, assets or liabilities, of the group during the current financial period reported on.**

Income statement

Revenue

	1 st Half FY2005	1 st Half FY2004	+ / (-)
	(Apr-Sep 04)	(Apr-Sep 03)	
Revenue by business segment	HK\$ 000	HK\$ 000	%
IT Services	14,609	22,313	(35%)
Maintenance and Support Services	4,759	2,575	85%
Business Process Outsourcing (BPO)	2,427	3,011	(19%)
	=====	=====	
Total	21,795	27,899	(22%)

The Group derives its revenue from 3 main business segments – IT consultancy services, maintenance and support services, and business process outsourcing (BPO).

Group revenue decreased by 22% to HK\$21.8 million for the first half of FY2005 ("1H FY05"), as compared with the corresponding period in FY2004. This was mainly due to

the decrease in revenue from IT services and BPO which was partially offset by the increase in revenue generated from the provision of maintenance and support services.

IT services remained as our major revenue contributor, accounting for 67% of total revenue for the first half of FY2005 compared to a contribution of 80% in the first half of FY2004. As revenue is recognised on a percentage of completion basis, the fees from IT services were lower in 1H FY05 because the newly-secured contracts were only at a preliminary stage with the projects only commencing in July 2004. However, revenue recognised in 1H FY2004 was over a longer duration as the contracts at the time were at an intermediate phase.

In addition, the value of the contracts that were secured in the 1H FY05 were lower as compared with 1H FY04 which included revenue recognition from a major IT services project awarded by the Intellectual Property Department of Hong Kong.

Fees from maintenance and support services rose by 85% to HK\$4.8 million because of the increase in both the number and size of maintenance and support service contracts. This was mainly due to the expiry of the warranty periods for projects completed in 1H FY04, which resulted in the renewal and commencement of the software maintenance services during the 1H FY05.

Fees from BPO decreased by 19% to HK\$2.4 million due to the decrease of chargeable hours rates and the lower headcount that was outsourced to Intellectual Property Department – from 38 persons in 1H FY04 to 35 persons in 1H FY05.

Cost of Sales and Gross Profit Margin

The Group's cost of sales rose by 19% to HK\$14.1 million in 1H FY05 due mainly to higher salaries as a result of our recruitment of new IT professionals. As an IT consultancy services company, employee costs form the largest component of the Group's cost of sales. In the Philippines, we increased our IT professional headcount by 71% from 72 (as of September 2003) to 123 (as of September 2004). In addition, the number of employees of the Group has increased by 29% from 196 (as of September 2003) to 252 (as of September 2004).

As a result of this, the Group's gross profit margin declined by 22 percentage points to 35.2% for 1H FY05, as compared with 57.4% in the corresponding period of FY2004.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 47% or HK\$1.3 million in 1H FY05 as compared with 1H FY04. This was due to the write-off of pre-operating expenses of HK\$0.4 million for the start-up of our new Dalian operations; increase in provision for an unrealised loss on our investment in guaranteed funds of HK\$0.3 million; increase in administrative salaries of HK\$0.3 million; increase in rental expenses of HK\$0.2 million for larger office premises; and increase in travelling expenses of HK\$0.1 million.

Finance Income

Finance income comprised mainly interest income from bank deposits. The decrease of HK\$0.07 million for 1H FY05 as compared with corresponding period in FY2004 was mainly due to lower interest income arising from lower bank deposit rates in Hong Kong.

Balance Sheet

The significant increase in cash and decrease in trade receivables was mainly due to the settlement of retention money of HK\$14.6 million in August 2004. The increase in contract work-in-progress was because of costs incurred on the two new contracts secured in this financial period. However, as these contracts are still at implementation stage, the milestone payment for these contracts have not been reached.

Shareholders' equity of the Group strengthened from HK\$35.2 million at the beginning of the period to HK\$36.7million as at 30 September 2004, mainly due to the profit generated from operations in the current period.

Cash flow Statement

For the six months ended 30 September 2004, the Group's cash generated from operations was HK\$10.2 million. Tax paid during the period was HK\$1.1 million. Cash used in investing activities of HK\$3.0 million was primarily for the purchase of guaranteed funds. Overall the group has a strong cash position of HK\$16.9 million as at 30 September 2004.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or a prospect statement has been disclosed previously to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known

factors or events that may affect the group in the next reporting period and the next 12 months

As part of our plans to increase our share of the IT services to the Hong Kong government public sector and to pursue opportunities in the commercial sector and penetrate new overseas markets such as Japan and China, we have been strengthening our capabilities by actively increasing our manpower resources. This had an impact on our profit margins in 1H FY05.

The Group's revenue is derived substantially from IT services and the contracts vary in size and scope. The extent of revenue to be recognised in each financial period is dependent on the stage of completion of the milestones for the development and implementation of IT systems. At present, we are bidding for a number of contracts that we are optimistic of securing based on our historical track record. As at 30 September 2004, we had commitments to deliver approximately HK\$50 million worth of revenue for the next 12 months.

Barring any unforeseen circumstances, the Group remains cautiously optimistic of the Group's prospects for the full financial year. However, we may not achieve the same level of performance as in FY 2004 since our revenue recognition is dependent on the stage of completion of the projects secured by year end.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommendeded.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable

15. A breakdown of sales

Not applicable

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable

BY ORDER OF THE BOARD

LEE WAN LIK

MANAGING DIRECTOR

12 November, 2004