

AZEUS SYSTEMS HOLDINGS LTD.

(Company registration no. 35312)

Unaudited Half Year Financial Statement and Dividend Announcement for the period ended 30 September 2010

Part 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULTS

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

**1(a)(i) Consolidated Income Statement for the first half year ended 30 September 2010
(Expressed in Hong Kong Dollars)**

	<u>The Group</u>		
	1 st Half FY2011	1 st Half FY2010	+ / (-)
	(Apr-Sep 2010)	(Apr-Sep 2009)	
	HK\$'000	HK\$'000	%
Sales	44,063	41,133	7
Cost of sales	(30,712)	(23,966)	28
	<hr/>	<hr/>	
Gross profit	13,351	17,167	(22)
Other income	96	114	(16)
Other gains – net	165	164	-
Selling and marketing expenses	(4,158)	(3,142)	32
Administrative and other operating expenses	(8,157)	(7,775)	5
Share of loss of a joint venture	(278)	(122)	128
	<hr/>	<hr/>	
Profit before tax	1,019	6,406	(84)
Income tax expense	(168)	(1,093)	(85)
	<hr/>	<hr/>	
Profit attributable to equity holders of the Company	851	5,313	(84)
	<hr/>	<hr/>	
Earnings per share (basic and diluted)	0.28 cents	1.8 cents	
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1(a)(ii) Consolidated Statement of Comprehensive Income for the first half year ended 30 September 2010

(Expressed in Hong Kong Dollars)

	The Group		
	1st Half FY2011	1st Half FY2010	+ / (-)
	(Apr-Sep 2010)	(Apr-Sep 2009)	
	HK\$'000	HK\$'000	%
Profit for the period	851	5,313	(84)
Other comprehensive (expense) / income:			
Financial assets, available-for-sale			
- Fair value (losses) / gains	(3)	28	(111)
Currency translation differences	(3)	26	(112)
	<u> </u>	<u> </u>	
	(6)	54	(111)
	<u> </u>	<u> </u>	
Total comprehensive income attributable to equity holders of the Company	845	5,367	(84)
	<u> </u>	<u> </u>	

1(a)(iii) Note to Consolidated Income Statement for the first half year ended 30 September 2010

(Expressed in Hong Kong Dollars)

Expenses included in cost of sales, selling and marketing expenses and administrative and other operating expense are analysed as follow.			
	The Group		
	1st Half FY2011	1st Half FY2010	+ / (-)
	(Apr-Sep 2010)	(Apr-Sep 2009)	
	HK\$'000	HK\$'000	%
Hardware and software	8,314	702	1,084
Depreciation of property, plant and equipment	140	163	(14)
Employee benefits expenses (include director remuneration)	26,305	26,045	1
Rental expenses- operating lease	2,129	1,825	17
Legal and professional fee	591	1,249	(53)
Repair and maintenance	2,004	1,784	12
Other expenses	3,544	3,115	14
	<u> </u>	<u> </u>	
Total cost of sales, selling and marketing and administrative expenses	43,027	34,883	23
	<u> </u>	<u> </u>	

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

Azeus Systems Holdings Ltd.
Balance Sheet as at 30 September 2010
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2010	31 Mar 2010	+ / (-)	30 Sep 2010	31 Mar 2010	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets						
Cash and cash equivalents	81,328	36,503	123	163	247	(34)
Pledged bank deposits	2,702	30,023	(91)	-	-	-
Trade and other receivables	20,665	22,672	(9)	49,844	61,856	(19)
Inventories	1,205	7,533	(84)	-	-	-
Unbilled revenue on service contracts	11,666	32,175	(64)	-	-	-
Current income tax assets	41	40	3	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	117,607	128,946	(9)	50,007	62,103	(19)
Non-current assets						
Available-for-sale financial assets	754	758	(1)	-	-	-
Investment in subsidiaries	-	-	-	50,526	50,526	-
Investment in a joint venture	97	180	(46)	97	180	(46)
Property, plant and equipment	713	686	4	-	-	-
Deferred tax assets	357	352	1	-	-	-
Refundable deposit	261	239	9	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	2,182	2,215	1	50,623	50,706	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Total assets	119,789	131,161	(9)	100,630	112,809	(11)
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	

Azeus Systems Holdings Ltd.
Balance Sheet as at 30 September 2010
(Expressed in Hong Kong Dollars)
(Continued)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2010	31 Mar 2010	+ / (-)	30 Sep 2010	31 Mar 2010	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities						
Trade and other payables	9,109	11,091	(18)	515	1,205	(57)
Current income tax liabilities	2,305	2,185	5	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	11,414	13,276	(14)	515	1,205	(57)
Non-current liability						
Provision for retirement benefits	1,244	1,206	3	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	1,244	1,206	3	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Total liabilities	12,658	14,482	(13)	515	1,205	(57)
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Net assets	107,131	116,679	(8)	100,115	111,604	(10)
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
REPRESENTED BY:						
Share capital	46,800	46,800	-	46,800	46,800	-
Share premium	56,489	56,489	-	56,726	56,726	-
Foreign currency translation reserve	22	25	(12)	-	-	-
Other reserves	1,301	1,304	-	-	-	-
(Accumulated losses) / retained earnings	2,519	12,061	(79)	(3,411)	8,078	(142)
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	107,131	116,679	(8)	100,115	111,604	(10)
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	

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

The Group had no bank borrowings or debt securities as at 30 September 2010 and 31 March 2010.

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

	<u>The Group</u>	
	1st Half FY2011	1st Half FY2010
	(Apr-Sep 2010)	(Apr-Sep 2009)
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net profit	851	5,313
Adjustment for:		
Income tax expense	168	1,093
Depreciation of property, plant and equipment	140	163
Interest income	(96)	(62)
Share of loss of a joint venture	278	122
Dividend income	-	(52)
Gain on available-for-sale financial assets	-	(7)
Unrealised translation losses	30	2
	<u>1,371</u>	<u>6,572</u>
Operating cash flow before working capital change	1,371	6,572
Change in working capital:		
Trade and other receivables	2,007	(1,169)
Unbilled revenue on service contracts	20,509	(2,596)
Amount due from a joint venture	-	-
Refundable deposits	(22)	-
Inventories	6,328	(6,668)
Trade and other payables	(1,982)	(2,312)
	<u>28,211</u>	<u>(6,173)</u>
Cash generated from / (used in) operations	28,211	(6,173)
Income tax paid	(48)	(16)
	<u>28,163</u>	<u>(6,189)</u>
Net cash provided by / (used in) operating activities	28,163	(6,189)
	<u>28,163</u>	<u>(6,189)</u>

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

	<u>The Group</u>	
	1st Half FY2011	1st Half FY2010
	(Apr-Sep 2010)	(Apr-Sep 2009)
	HK\$'000	HK\$'000
Cash flows from investing activities		
Proceeds from disposal of available-for-sale financial assets	-	2,616
Purchase of property, plant and equipment	(167)	(86)
Decrease in deposits with original maturity over three months	-	556
Decrease in pledged bank deposit	27,321	-
Interest received	96	62
Dividend received	-	52
Additional capital to a joint venture	(195)	-
	<hr/>	<hr/>
Net cash provided by investing activities	27,055	3,200
Cash flows from financing activities		
Dividends paid to equity holders of the Company	(10,393)	(778)
	<hr/>	<hr/>
Net cash used in financing activities	(10,393)	(778)
Net increase / (decrease) in cash and cash equivalents held	44,825	(3,767)
Cash and cash equivalents at the beginning of the period	36,503	62,568
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	81,328	58,801
	<hr/>	<hr/>

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

	Share Capital	Share Premium	Foreign Currency Translation Reserve	Other Reserves	Retained Profits	Total
<u>Group</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2010	46,800	56,489	25	1,304	12,061	116,679
Total comprehensive (expense) / income for the period	-	-	(3)	(3)	851	845
FY2010 final dividends paid	-	-	-	-	(10,393)	(10,393)
	=====	=====	=====	=====	=====	=====
Balance as at 30 September 2010	46,800	56,489	22	1,301	2,519	107,131
	=====	=====	=====	=====	=====	=====
Balance as at 1 April 2009	46,800	56,489	(46)	1,267	2,422	106,932
Total comprehensive income for the period	-	-	26	28	5,313	5,367
FY2009 final dividends paid	-	-	-	-	(778)	(778)
	=====	=====	=====	=====	=====	=====
Balance as at 30 September 2009	46,800	56,489	(20)	1,295	6,957	111,521
	=====	=====	=====	=====	=====	=====

	Share Capital	Share Premium	Retained Profits/ (Accumulated Losses)	Total
<u>Company</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2010	46,800	56,726	8,078	111,604
Total comprehensive expense for the period	-	-	(1,096)	(1,096)
FY2010 final dividends paid	-	-	(10,393)	(10,393)
	=====	=====	=====	=====
Balance as at 30 September 2010	46,800	56,726	(3,411)	100,115
	=====	=====	=====	=====
Balance as at 1 April 2009	46,800	56,726	(664)	102,862
Total comprehensive expense for the period	-	-	(915)	(915)
FY2009 final dividends paid	-	-	(778)	(778)
	=====	=====	=====	=====
Balance as at 30 September 2009	46,800	56,726	(2,357)	101,169
	=====	=====	=====	=====

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

Not applicable.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 September 2010, share capital of the Company comprised 300,000,000 ordinary shares (FY2010: 300,000,000). There were no treasury shares held by the Company at 30 September 2010 and 2009.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

Except as disclosed under Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial information for the current reporting financial period compared with the financial statements for FY 2010.

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

On 1 April 2010, the Group and the Company adopted the new / amended FRS and which are effective for annual periods beginning on or after 1 January 2010. The following are the new or revised FRS that are relevant to the Group.

FRS 103 (Revised)	Business Combinations
Amendment to FRS 7	Cash Flow Statements
Amendment to FRS 102	Group Cash-settled share-based payment transaction
Amendment to FRS 108	Operating segments

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies nor any significant impact on the financial statements.

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

	<u>The Group</u>	
	1st Half FY2011	1st Half FY2010
Net profit of the Group (HK\$'000)	851	5,313
Weighted average number of shares ('000)	300,000	300,000
- Basic earnings per share (HK cents)	0.28	1.8
- Fully diluted earnings per share (HK cents)	0.28	1.8

Fully diluted earnings per share is similar to the basic earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 30 September 2010 and 30 September 2009.

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

	<u>The Group</u>		<u>The Company</u>	
	30 Sep 2010	31 Mar 2010	30 Sep 2010	31 Mar 2010
	HK cents	HK cents	HK cents	HK cents
Net asset value per ordinary share based on the existing share capital as at the end of the respective period	35.71	38.89	33.37	37.20

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 300,000,000 (FY2010: 300,000,000).

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

Income statement

a. Revenue

	1st Half FY2011 (Apr-Sep 10)	1st Half FY2010 (Apr-Sep 09)	+ / (-)
Revenue by business segment	HK\$'000	HK\$'000	%
IT Services, including sale of hardware and software	25,503	24,288	5
Maintenance and Support Services	12,778	11,832	8
Business Process Outsourcing (BPO)	5,782	5,013	15
	<hr/>	<hr/>	
Total	44,063	41,133	7

The Group derives its revenue from three core business areas – IT services, maintenance and support services, and business process outsourcing (BPO). The largest revenue contribution generally comes from IT services, for which contracts vary in size and scope. The extent of revenue recognition in each financial period is dependent on the stage of completion of the milestones for the development and implementation of the projects.

Group revenue increased by 7% to HK\$44.1 million in 1H FY11, compared to HK\$41.1

million in the last corresponding period.

IT services remained the Group's major revenue contributor, accounting for 58% (1H FY10: 59%) of total revenue in 1H FY11. The fees from IT services were higher in 1H FY11 by HK\$1.2 million because of a higher third party hardware sales of HK\$11.9 million in 1H FY11 as compared to HK\$0.9 million in 1H FY10. Excluding third party hardware and software sales, the Group IT service sales were lowered by HK\$9.8 million by 42% due to lesser new projects secured in this current period.

Fees from maintenance and support services increased slightly by 8% to HK\$12.8 million in 1H FY11 because of the increase in number and value of contracts upon yearly renewal.

Fees from BPO increased by 15% to HK\$5.8 million in 1H FY11 due to the chargeable rate in 1H FY11, which was higher than in the last corresponding period.

b. Cost of Sales and Gross Profit Margin

Cost of sales in 1H FY11 was higher by HK\$6.7 million from HK\$24.0 million to HK\$30.7 million due to an increase in sale of third party hardware and software in 1H FY11. Overall the gross profit margin decreased 12 percentage point from 42% to 30%.

c. Other Income & Other Gains - net

	1st Half FY2011	1st Half FY2010	+ / (-)
	(Apr-Sep 10)	(Apr-Sep 09)	
	HK\$'000	HK\$'000	%
Other income comprised:			
Dividend income	-	52	(100)
Interest income	96	62	55
	<hr/>	<hr/>	
Subtotal	96	114	(16)
Other gains - net comprised:			
Net foreign exchange gain	165	157	5
Financial assets, available-for-sale			
- Gain on disposal	-	7	(100)
	<hr/>	<hr/>	
Subtotal	165	164	1

The decrease of HK\$0.018 million in other income for 1H FY11 as compared with 1H FY10 was mainly due to no dividend income in 1H FY11.

d. Selling and marketing expenses

Selling and marketing expenses increased substantially by 32% or HK\$1.0 million in 1H FY11 due to more efforts spent in presales projects for securing future pipelines. Additionally, headcount increased due to overseas expansion.

e. Administrative and Other Operating Expenses

Administrative and other operating expenses increased by 5% or HK\$0.4 million in 1H FY11 mainly due to an increase in rent and rates of HK\$0.3 million and other expenses.

f. Net profit after taxation

Overall, due to less IT service revenue recognised in this period and higher cost spent, the Group's profit margin decreased from 12.9% in 1H FY10 to 1.9% in 1H FY11, with a net profit of HK\$0.9 million.

Balance Sheet

a. Unbilled Revenue on Service Contracts

The decrease in unbilled revenue on services contracts of HK\$20.5 million was due to more contracts reaching the milestone payments and less contracts were implemented in this period.

b. Trade and other receivables

Balance decreased from HK\$22.7 million to HK\$20.7 million by 9% as majority of the Group's trade receivables as of 31 March 2010 were settled. All the trade receivables as of 30 September 2010 were current in nature and no allowance for doubtful debt is considered necessary.

c. Inventory

Inventories comprised hardware and software products to be used in IT service implementation projects under the relevant contract terms. The balance represented items already delivered but have not completed the acceptance test by the customers. As a result, the relevant revenue of these hardware and software have not been recognised. Amount decreased substantially due to most of the contracts completion and accepted by the customers. Less inventory were kept as of this period end as less contracts were secured in this period.

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

Investment in joint venture decreased due to the Group's share of loss of HK\$0.3 million

in 1H FY11. More marketing and selling expenses were incurred by the joint venture because an additional headcount was hired in FY11.

e. Share capital and reserves

The Group's shareholders' equity decreased from HK\$116.7 million at the beginning of the year to HK\$107.1 million as at 30 September 2010, mainly due to the payment of FY 2010 final dividend of HK\$10.4 million offset by the profit generated from operations of HK\$0.9 million in 1H FY11.

Cash flow Statement

For the six months ended 30 September 2010, the Group's net cash provided by operating activities was HK\$28.2 million. The cash inflow from operations was mainly due to timing difference, as most payment milestones for projects have been reached, sales were all billed, and cash was collected. Cash used in financing activities of HK\$10.4 million was primarily for payment of the FY 2010 final dividend in August 2010. Overall, the Group managed to improve its cash position substantially from HK\$36.5 million as at 31 March 2010 to HK\$81.3 million as at 30 September 2010.

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

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

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The near term outlook in the Hong Kong public sector is dependent on the timing of release of new tenders with potential impact on sales and profit. At present, the Group has bid for a number of large tenders of which the results have been postponed. Due to the timing of the outcome of the current bids, the business and economic outlook for the second half remains conservative with limited visibility.

Within the Group, we have a library of intellectual assets that have been developed over the years. We believe that there are opportunities to utilize our assets, domain experience and technical expertise in software products investment to leverage our market position in new markets. We will continue to invest a material amount to

commercially develop and enhance our intellectual property rights and software products.

The Group's growth strategy involves investment in continued expansion of its marketing network, and in research and development for new and innovative software products, which will cater to our customers' demand. The Directors expect the Group to report a substantially lower profit with a possibility of incurring a loss for FY 2011 as compared to FY 2010. The Board will continue to closely monitor the performance of the Group into the new financial year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No interim dividend has been declared/recommended during the period ended 30 September 2010.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No interim dividend has been declared/recommended during the period ended 30 September 2009.

A final dividend was recommended and approved in respect of financial year ended 31 March 2010. The final dividend amounting to HK\$10.4 million was paid during the period ended 30 September 2010.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No interim dividend has been declared/recommended during the period.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

Not applicable for half year results.

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

Not applicable for half year results.

- 15. A breakdown of sales.**

Not applicable for half year results.

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

Not applicable for half year results.

BY ORDER OF THE BOARD

**LEE WAN LIK
MANAGING DIRECTOR
12 November 2010**

Confirmation Pursuant to 705(4) of the Listing Manual

We, Lee Wan Lik and Lam Pui Wan, being the two directors of Azeus Systems Holdings Ltd. do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to attention of the board of directors of the Company which may render the financial results for the period ended 30 September 2010 to be false or misleading.

On behalf of the Board of Directors

LEE Wan Lik
Executive Director

LAM Pui Wan
Executive Director