

**Unaudited Full Year Financial Statement And Dividend Announcement  
for the year ended 31 March 2007**

**Part 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL  
YEAR RESULTS**

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

**Group Income Statement for the financial year ended 31 March 2007**

	<b>The Group</b>		
	<b>FY2007</b>	<b>FY2006</b>	<b>+ / ( - )</b>
	(Apr-Mar 07)	(Apr-Mar 06)	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
Sales	<b>92,300</b>	85,959	7%
Cost of sales	<b>(56,799)</b>	(43,863)	29%
	=====	=====	
Gross profit	<b>35,501</b>	42,096	(16%)
Other gains (net)	<b>2,288</b>	2,051	12%
Selling and marketing expenses	<b>(8,924)</b>	(7,506)	19%
Administrative and other operating expenses	<b>(15,388)</b>	(16,788)	(8%)
	=====	=====	
Profit before tax	<b>13,477</b>	19,853	(32%)
Income tax expense	<b>(2,807)</b>	(4,191)	(33%)
	=====	=====	
Profit attributable to company's equity holders	<b>10,670</b>	15,662	(32%)
	=====	=====	
Earnings per share (basic and diluted)	<b>3.56 cents</b>	5.22 cents	
	=====	=====	
<b>Expenses included in cost of sales, selling and marketing expenses and administrative and other operating expenses are analysed as follows:</b>			
Depreciation	<b>(641)</b>	(878)	(27%)
Impairment loss on goodwill	-	(939)	N/M
Rental expense – operating lease	<b>(2,291)</b>	(2,518)	(9%)
Employee benefits	<b>(50,661)</b>	(44,361)	14%
Net foreign exchange gain	<b>576</b>	278	108%
Bank interest income	<b>1,672</b>	1,602	4%
Dividend income from available-for-sale financial assets	<b>40</b>	171	(77%)

	<b>FY2007</b>	<b>FY2006</b>	<b>+ / ( - )</b>
	<b>(Apr-Mar 07)</b>	<b>(Apr-Mar 06)</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
<b>Income tax</b>			
Current income tax	<b>(2,768)</b>	(4,233)	(35%)
Deferred income tax	<b>(203)</b>	14	(1,550%)
(Under)/overprovision of tax in prior years	<b>164</b>	28	485%
	<hr/>	<hr/>	
Income tax expenses	<b>(2,807)</b>	(4,191)	(33%)

**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**

**Balance Sheet as at 31 March 2007**

	<u>The Group</u>			<u>The Company</u>		
	31 March 2007	31 March 2006	+ / (-)	31 March 2007	31 March 2006	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Current assets</b>						
Cash and cash equivalents	75,624	59,822	26%	615	5,405	(89%)
Trade and other receivables	21,492	8,174	163%	69,458	74,826	(26%)
Unbilled revenue on service contracts	21,277	55,625	(62%)	-	-	-
Inventories	-	3,146	(100%)	-	-	-
Tax recoverable	1,318	-	N/M	-	-	-
	119,711	126,767		70,073	80,231	
<b>Non-current assets</b>						
Available-for-sale financial assets	4,191	4,151	1%	-	-	-
Subsidiaries	-	-	-	46,054	40,571	14%
Property, plant and equipment	1,145	1,402	(18%)	-	-	-
Deferred income tax asset	-	212	100%	-	-	-
	5,336	5,765		46,054	40,571	
<b>Total assets</b>	<b>125,047</b>	<b>132,532</b>		<b>116,127</b>	<b>120,802</b>	

**Azeus Systems Holdings Ltd.**  
**Balance Sheet as at 31 March 2007**

	<u>The Group</u>			<u>The Company</u>		
	31 March 2007	31 March 2006	+ / (-)	31 March 2007	31 March 2006	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Current liabilities</b>						
Trade and other payables	8,580	11,310	(24%)	749	625	20%
Current income tax liabilities	-	1,478	(100%)	-	-	-
	=====	=====		=====	=====	
	8,580	12,788		749	625	
<b>Non-current liabilities</b>						
Provision for retirement benefit	329	34	868%	-	-	-
Deferred income tax liabilities	-	130	(100%)	-	-	-
	=====	=====		=====	=====	
	329	164		-	-	
	=====	=====		=====	=====	
<b>Total liabilities</b>	8,909	12,952		749	625	
	=====	=====		=====	=====	
<b>Net assets</b>	116,138	119,580		115,378	120,177	
	=====	=====		=====	=====	
<b>REPRESENTED BY:</b>						
Share capital	46,800	46,800	-	46,800	46,800	-
Share premium	56,489	56,489	-	56,726	56,726	-
Reserves	12,849	16,291	(21%)	11,852	16,651	(29%)
	=====	=====		=====	=====	
	116,138	119,580		115,378	120,177	
	=====	=====		=====	=====	

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

The Group had no bank borrowings or debt securities as at 31 March 2007 and 31 March 2006.

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

	<b>The Group</b>	
	<b>FY2007</b>	<b>FY2006</b>
	<b>(Apr-Mar 2007)</b>	<b>(Apr-Mar 2006)</b>
<b>Cash flows from operating activities</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Net profit	10,670	15,662
Adjustments for:		
Income tax	2,807	4,191
Depreciation of property, plant and equipment	641	878
Interest income	(1,672)	(1,602)
Impairment loss on goodwill	-	939
Dividend income from available-for-sale financial assets	(40)	(171)
Employee share-based compensation costs	511	465
Provision for retirement benefit	283	64
Exchange differences	59	(23)
	<u>          </u>	<u>          </u>
<b>Operating cash flow before working capital change</b>	<b>13,259</b>	<b>20,403</b>
<b>Change in operating assets and liabilities</b>		
Trade and other receivables	(13,318)	(5,485)
Unbilled revenue on service contracts	34,348	(31,055)
Inventories	3,146	160
Trade and other payables	(2,730)	4,545
	<u>          </u>	<u>          </u>
<b>Cash inflow/(outflow) generated from operations</b>	<b>34,705</b>	<b>(11,432)</b>
Income tax paid	(5,531)	(1,135)
Provision for retirement benefit	-	34
	<u>          </u>	<u>          </u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>29,174</b>	<b>(12,533)</b>

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

	<b>The Group</b>	
	FY2007	FY2006
	(Apr-Mar 2007)	(Apr-Mar 2006)
	HK\$'000	HK\$'000
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(330)	(741)
Decrease in pledged bank deposits	-	1,500
Interest received	1,672	1,602
Dividend received from available-for-sale financial assets	40	171
	—————	—————
<b>Net cash inflow from investing activities</b>	<b>1,382</b>	<b>2,532</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	(14,754)	(13,755)
	—————	—————
<b>Net cash outflow from financing activities</b>	<b>(14,754)</b>	<b>(13,755)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>15,802</b>	<b>(23,756)</b>
Cash and cash equivalents at the beginning of the financial year	59,822	83,578
	—————	—————
<b>Cash and cash equivalents at the end of the financial year</b>	<b>75,624</b>	<b>59,822</b>
	—————	—————

**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 Translation Reserve	Statutory Reserve	Other reserve	Retained Profits	Total
<b>Group</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Balance as at 1 April 2006	46,800	56,489	41	-	(69)	16,319	119,580
Fair value gain on available-for-sale-financial assets	-	-	-	-	40	-	40
Currency translation difference	-	-	91	-	-	-	91
Net profit for the year	-	-	-	-	-	10,670	10,670
Total recognised gains	-	-	91	-	40	10,670	10,801
Employee share-based compensation (note)	-	-	-	-	511	-	511
FY 2006 dividends paid	-	-	-	-	-	(14,754)	(14,754)
Balance as at 31 March 2007	46,800	56,489	132	-	482	12,235	116,138
Balance as at 1 April 2005							
As previously reported	46,800	56,489	(7)	112	-	14,060	117,454
Effect of changes in accounting policies							
- Adjusted prospectively	-	-	-	-	(439)	240	(199)
As restated	46,800	56,489	(7)	112	(439)	14,300	117,255
Transfer from statutory reserves to retained earnings	-	-	-	(112)	-	112	-
Fair value loss on available-for-sale-financial assets	-	-	-	-	(95)	-	(95)
Currency translation difference	-	-	48	-	-	-	48
Net profit for the year	-	-	-	-	-	15,662	15,662
Total recognised gains / (losses)	-	-	48	(112)	(95)	15,774	15,615
Employee share-based compensation (note)	-	-	-	-	465	-	465
FY 2006 dividends paid	-	-	-	-	-	(13,755)	(13,755)
Balance as at 31 March 2006	46,800	56,489	41	-	(69)	16,319	119,580

Note: As mentioned in the IPO prospectus dated 13 October 2004, the Managing Director and controlling shareholder, Mr Lee Wan Lik will implement a share grant incentive for certain of their key employees as a reward for their past contribution to the Group and as well as incentivise them going forward. Pursuant to the share grant incentive, in FY 2007, Mr Lee Wan Lik transferred 1,483,097 shares (FY 2006:915,445 shares) from his personal shareholding to the employees.

	Share Capital	Share Premium	Exchange Translation Reserve	Statutory Reserve	Revaluation and other reserve	Retained Profits	Total
<b>Company</b>							
Balance as at 1 April 2006	46,800	56,726	-	-	-	16,651	120,177
Total recognised gains - Net profit for the year	-	-	-	-	-	9,955	9,955
FY 2006 dividends paid	-	-	-	-	-	(14,754)	(14,754)
Balance as at 31 March 2007	46,800	56,726	-	-	-	11,852	115,378
Balance as at 1 April 2005	46,800	56,726	-	-	-	13,920	117,446
Total recognised gains - Net profit for the year	-	-	-	-	-	16,486	16,486
FY 2006 dividends paid	-	-	-	-	-	(13,755)	(13,755)
Balance as at 31 March 2006	46,800	56,726	-	-	-	16,651	120,177

**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

**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.



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

In FY 2007, the Company adopted the new and revised FRSs and Interpretations of FRS ("INT FRS") that are mandatory for application in the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The following are the FRS and INT FRS that are relevant to the Group:

FRS 19 (Amendments) Employee's Benefits

FRS 21 (Amendments) The Effects of Changes in Foreign Exchange Rates

FRS 32 (Amendments) Financial Instruments: Disclosure and Presentation

FRS 39 (Amendments) Financial Guarantee Contracts

INT FRS 104 Determining whether an Arrangement Contains a Lease

The adoption of the above FRS and INT FRS did not result in any substantial changes to the Group's accounting policies.

**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**

	<b>The Group</b>	
	<b>FY2007</b>	<b>FY2006</b>
Net profit of the Group (HK\$'000)	<b>10,670</b>	15,662
Weighted average number of shares ('000)	<b>300,000</b>	300,000
- Basic earnings per share (HK cents)	<b>3.56</b>	5.22
- Fully diluted earnings per share (HK cents)	<b>3.56</b>	5.22

Fully diluted earnings per share is similar to the basic earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 31 March 2007 and 31 March 2006.

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

	<u>The Group</u>		<u>The Company</u>	
	31 March 2007	31 March 2006	31 March 2007	31 March 2006
	HK cents	HK cents	HK cents	HK cents
Net asset value per ordinary share based on the existing share capital as at 31 March 2007 and 31 March 2006 respectively	38.71	39.86	38.46	40.06

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

	<u>FY2007</u>	<u>FY2006</u>	<u>+ / (-)</u>
	<u>(Apr-Mar 07)</u>	<u>(Apr-Mar 06)</u>	
<u>Revenue by business segment</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>%</u>
IT Services, including sales of hardware and software	69,767	70,304	(1%)
Maintenance and Support Services	14,646	10,240	43%
Business Process Outsourcing (BPO)	7,887	5,415	46%
Total	92,300	85,959	7%

The Group derives its revenue from 3 main core business areas – IT services, maintenance and support services, and business process outsourcing (BPO). The largest revenue contribution came from IT services, for which contracts vary in both 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\$92.3 million for FY2007 as compared with FY2006, mainly due to the increase in revenue from maintenance and support services and BPO. This was partially offset by a 1% decrease in revenue from the Group's IT Services segment.

IT services remained the Group's major revenue contributor, accounting for 76% of total revenue for FY2007 compared to a contribution of 82% in FY2006. Overall the fees from IT services were lower in FY2007 because of fewer contracts secured and lower fees in

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FY2007 compared to FY2006.

Fees from Maintenance and Support Services rose by 43% to HK\$14.6 million. This was due to the increase in both the number of contracts (from 26 contracts in FY2006 to 35 contracts in FY2007) and size of maintenance and support service contracts. Many of these were renewed or commenced in FY2007 following the expiry of the warranty periods for projects completed in FY2007.

Fees from BPO increased by 46% to HK\$7.9 million, largely due to the Group securing a new BPO contract awarded by the Hong Kong government for a total contract sum of US\$10.2 million, of which HK\$4.1 million (US\$0.5 million) is recognized in the current financial year. The chargeable hourly rates and headcount that was outsourced under this new contract was higher than under its previous contract.

**b. Cost of Sales and Gross Profit Margin**

The Group's cost of sales rose by HK\$12.9 million, 29% to HK\$56.8 million in FY2007 due mainly to:

- increase in sale of third party hardware and software sale of HK\$5.0 million;
- increase in third party consultancy fee of HK\$ 1.1 million payable to external consultants (on need basis) and
- increase in direct salaries of HK\$6.4 million

The gross margins decreased 11 percentage points from 49% to 38% was due to:

(i) increase in sale of third party hardware and software sale

These sales eroded the Group gross margin as the profit margin for providing these hardware and software was lower than the profit margin of other IT services.

Excluding hardware sales, the Group experienced only a 9 percentage points decrease in overall IT service margin from 53% to 44%.

(ii) increment of direct salaries

Overall the average cost per staff increased by 7%. Direct salaries represented 66% (FY 2006: 70%) of total cost of sale. Our headcount grew at a faster pace than turnover growth. Overall, our IT professional headcount grew by 6% from 253 in March 2006 to 267 in March 2007.

(iii) appreciation of Peso by 7%

Strong Peso exchange rates also accounted for drop in gross profit as a result of increase in direct costs. The average Peso-HK Dollar rate for the year was 0.1573 as

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against 0.1472 in the previous year. Total direct cost from our Philippines office contributed 23% (FY2006: 22%) of total cost of sale.

**c. Other gains (net)**

Other gains comprised:	FY 2007	FY 2006	
	HK\$'000	HK\$'000	%
Interest income	1,672	1,602	4%
Dividend income	40	171	(77%)
Net foreign exchange gain	576	278	108%
Total	2,288	2,051	12%

The increase of HK\$0.2million in Other Gains for FY2007 as compared with FY2006 was mainly due to a rise in the net foreign exchange gain of HK\$0.3million.

**d. Administrative and other operating expenses**

Administrative and other operating expenses decreased by 8% or HK\$1.4 million in FY2007 as compared with FY2006. This was due to the combined effect of :

- a decrease in administrative salaries of HK\$1.1 million, following the resignation of the Group's Executive Vice President in FY 2006;
- decrease in impairment charge on goodwill of HK\$0.9 million; and offset by
- increase in administrative and finance staff salaries of HK\$0.4.

**e. Net profit after taxation**

Overall, the Group still managed to achieve a net operating profit after taxation attributable to shareholders of HK\$10.7 million for FY2007, compared to HK\$15.7 million for FY2006.

**Balance Sheets**

**a. Unbilled revenue on service contracts**

The decrease in unbilled revenue on services contracts of HK\$34.3 million was due to the fact that a majority of the projects implemented are nearing completion and milestone payments are raised. Invoices have been issued for these projects and some of them have yet to be settled, resulting in an increase in trade receivables of HK\$13.3 million. Subsequently, after year-end, an additional HK\$15.4 million cash has been received from customers for invoice settlement to date.

**b. Subsidiaries**

The increase in the Company's cost of investment in subsidiaries was due to the subscription of an additional 8,000,000 ordinary shares for a total consideration of HK\$8 million in the capital of its wholly-owned subsidiary, Azeus Systems Limited. This is offset

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by an additional provision of investment cost of HK\$2.5 million for BIGontheNet Pte Ltd..

**c. Share capital and reserves**

The Group's shareholders' equity decreased from HK\$119.6 million at the beginning of the year to HK\$116.1 million as at 31 March 2007, mainly due to the profit generated from operations of HK\$10.7 million in FY2007 which was offset by the payment of FY2006 final dividend of HK\$14.7 million.

**Cash flow Statement**

For the year ended 31 March 2007, the Group's cash inflow for operations was HK\$29.2 million. Tax paid during the period was HK\$5.5 million. Cash outflow for financing activities of HK\$14.7 million was primarily for the payment of the FY2006 final dividend in August 2006. Overall the Group has a stronger cash position of HK\$75.6 as at 31 March 2007 compared to HK\$59.8 million as at 31 March 2006.

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

The Group issued a profit guidance for FY2007 on 7 November 2006, in which it stated that profits for FY2007 were expected to be lower than FY2006. The financial results for the financial year ended 31 March 2007 are consistent with the statements made in the profit guidance announcement.

**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**

Going forward, the Group will remain focused on sustaining its market share in the Hong Kong public sector while making significant efforts to diversify its risks by expanding into new markets and pursuing regional investment opportunities. The Group continues to bid for a number of Hong Kong government contracts and was recently able to secure a new 5-year, US\$10 million IT and BPO outsourcing contract for the provision of large-scale office operations services to the Hong Kong government Intellectual Property Department. This project will continue to contribute towards FY 2008 to FY 2011 results.

In view of the price focused competitive environment and stiff challenges from other IT service providers, whilst the Group remains focused on sustaining its market share in the

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Hong Kong public sector, going forward, it also aims to expand its revenue sources by expanding its IT services business into the private sector and other overseas markets. As such, we are continuing to explore suitable acquisitions to accelerate our entry into the overseas outsourcing market, which we believe would offer tremendous potential in the long term.

The Group has also been enhancing its capabilities by actively increasing manpower resources. While this impacted its profit margin in FY2007, the Group believes that additional resources will place them in a stronger position to capitalize on new business opportunities in the coming years.

## **11. Dividend**

### ***(a) Current Financial Period Reported On***

#### **Any dividend declared for the current financial period reported on?**

Name of Dividend	First and Final
Dividend Type	Cash
Dividend Rate	3.56 HK cents per ordinary share
Par value of shares	US\$0.02
Tax Rate	Not applicable (as Company is incorporated in Bermuda)

### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

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

A final dividend was recommended and approved in respect of financial year ended 31 March 2006 of 4.90 HK cents. The final dividend amounting to HK\$14.7 million was paid in August 2006.

### ***(c) Date payable***

To be announced later

### ***(d) Books closure date***

To be announced later

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

Not applicable

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**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**

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

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

Not applicable

**15. A breakdown of sales**

	<u>The Group</u>		
	FY2007	FY2006	+ / ( - )
	HK\$'000	HK\$'000	%
Sales reported for first half year	41,341	37,342	11%
Net profit after tax for first half year	3,614	6,776	(47%)
Sales reported for second half year	50,959	48,617	5%
Net profit after tax for second half year	7,056	8,886	(21%)

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

	<u>The Group</u>		
	FY2007	FY2006	+ / ( - )
	HK\$'000	HK\$'000	%
Ordinary	10,670	14,700	(27%)
Preference	-	-	-
Total	10,670	14,700	(27%)

**17. Interested Parties Transactions**

Not applicable.

**BY ORDER OF THE BOARD**

**LEE WAN LIK**

**MANAGING DIRECTOR**

**29 May, 2007**