

AZEUS SYSTEMS HOLDINGS LTD.

(Company registration no. 35312)

**Unaudited Half Year Financial Statement and Dividend Announcement
for the period ended 30 September 2007**

**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.

Group Income Statement for the first half year ended 30 September 2007

(Expressed in Hong Kong Dollars)

	<u>The Group</u>		
	1 st Half FY2008	1 st Half FY2007	+ / (-)
	(Apr-Sep 2007)	(Apr-Sep 2006)	
	HK\$'000	HK\$'000	%
Sales	34,522	41,341	(16)
Cost of sales	(20,475)	(27,201)	(25)
	=====	=====	
Gross profit	14,047	14,140	(1)
Other gains	1,892	1,251	51
Selling and marketing expenses	(5,007)	(3,904)	28
Administrative and other operating expenses	(8,122)	(7,107)	14
	=====	=====	
Profit before tax	2,810	4,380	(36)
Income tax expense	(677)	(766)	(12)
	=====	=====	
Net profit	2,133	3,614	(41)
	=====	=====	
Earnings per share (basic and diluted)	HK\$0.007	HK\$ 0.012	
	=====	=====	

Azeus Systems Holdings Ltd.

Group Income Statement for the first half year ended 30 September 2007

(Expressed in Hong Kong Dollars)

Note 1 – Expense by nature			
Expenses included cost of sales, selling and marketing expenses and administrative and other operating expense are analysed as follow.			
	The Group		
	1st Half FY2008	1st Half FY2007	+ / (-)
	(Apr-Sep 2007)	(Apr-Sep 2006)	
	HK\$'000	HK\$'000	%
Hardware and software	1,497	7,997	(81)
Subcontracting fee	257	916	(72)
Depreciation of property, plant and equipment	258	284	(9)
Employee benefits expenses	24,456	23,796	3
Directors emoluments	489	396	23
Rental expenses- operating lease	1,229	1,136	8
Legal and professional fee	766	366	109
Training and education	240	29	728
Other expenses	4,412	3,292	34
	=====	=====	
Total cost of sales, selling and marketing and administrative expenses	33,604	38,212	(12)
	=====	=====	

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 2007
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2007	31 Mar 2007	+ / (-)	30 Sep 2007	31 Mar 2007	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets						
Cash and cash equivalents	74,047	75,624	(2)	475	615	(23)
Trade and other receivables	10,285	21,492	(52)	57,744	69,458	(17)
Unbilled revenue on service contracts	25,744	21,277	21	-	-	-
Current income tax assets	861	1,318	(35)	-	-	-
	—————	—————		—————	—————	
	110,937	119,711	(7)	58,219	70,073	(17)
Non-current assets						
Available-for-sale financial assets	4,554	4,191	9	-	-	-
Investment in subsidiaries	-	-	-	45,865	46,054	-
Property, plant and equipment	981	1,145	(14)	-	-	-
	—————	—————		—————	—————	
	5,535	5,336	4	45,865	46,054	-
	—————	—————		—————	—————	
Total assets	116,472	125,047	(7)	104,084	116,127	(10)
	—————	—————		—————	—————	

Azeus Systems Holdings Ltd.
Balance Sheet as at 30 September 2007
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	30 Sep 2007	31 Mar 2007	+ / (-)	30 Sep 2007	31 Mar 2007	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities						
Trade and other payables	7,777	8,580	(9)	118	749	(84)
	—————	—————		—————	—————	
	7,777	8,580	(9)	118	749	(84)
Non-current liability						
Provision for retirement benefits	350	329	6	-	-	-
	—————	—————		—————	—————	
	350	329	6	-	-	-
	—————	—————		—————	—————	
Total liabilities	8,127	8,909	(9)	118	749	(84)
	—————	—————		—————	—————	
Net assets	108,345	116,138	(7)	103,966	115,378	(10)
	—————	—————		—————	—————	
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	83	132	(37)	-	-	-
Other reserves	1,196	482	148	-	-	-
Retained earnings	3,777	12,235	(69)	440	11,852	(96)
	—————	—————		—————	—————	
	108,345	116,138	(7)	103,966	115,378	(10)
	—————	—————		—————	—————	

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 2007 and 31 March 2007.

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 FY2008	1st Half FY2007
	(Apr-Sep 2007)	(Apr-Sep 2006)
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit before tax	2,810	4,380
Adjustment for:		
Depreciation	258	284
Employee share-based compensation costs	352	512
Interest income	(1,423)	(1,137)
Dividend income	(67)	(14)
Exchange difference	(24)	54
	—————	—————
Operating cash flow before working capital change	1,906	4,079
Change in operating assets and liabilities:		
Trade receivables and other receivables	11,207	(33,668)
Unbilled revenue on service contracts	(4,467)	16,220
Inventories	-	(612)
Trade payables and other payables	(1,028)	(6,045)
	—————	—————
Cash inflow / (outflow) from operations	7,618	(20,026)
Income tax paid	-	(34)
	—————	—————
Net cash inflow /(outflow) from operating activities	7,618	(20,060)
	—————	—————

	<u>The Group</u>	
	1st Half FY2008 (Apr-Sep 2007)	1st Half FY2007 (Apr-Sep 2006)
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(94)	(221)
Interest received	1,423	1,137
Dividend received	67	14
Dividends paid to shareholders	(10,591)	(14,755)
	—————	—————
Net cash outflow from investing activities	(9,195)	(13,825)
Net decrease in cash and cash equivalents held	(1,577)	(33,885)
Cash and cash equivalents at the beginning of the period	75,624	59,822
	—————	—————
Cash and cash equivalents at the end of the period	74,047	25,937
	—————	—————

	Share Capital	Share Premium	Retained Profits	Total
<u>Company</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2007	46,800	56,726	11,852	115,378
FY2007 final dividend paid	-	-	(10,591)	(10,591)
Net loss for the period	-	-	(821)	(821)
	=====	=====	=====	=====
Balance as at 30 September 2007	46,800	56,726	440	103,966
	=====	=====	=====	=====
Balance as at 1 April 2006	46,800	56,726	16,651	120,177
FY2006 final dividend paid	-	-	(14,755)	(14,755)
Net loss for the period	-	-	(2,296)	(2,296)
	=====	=====	=====	=====
Balance as at 30 September 2006	46,800	56,726	(400)	103,126
	=====	=====	=====	=====

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.

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 in the financial statements for the current reporting financial period compared with the financial statements for FY 2007.

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

	<u>The Group</u>	
	1st Half FY2008	1st Half FY2007
Net profit of the Group (HK\$'000)	2,133	3,614
Weighted average number of shares ('000)	300,000	300,000
- Basic earnings per share (HK\$)	0.007	0.012
- Fully diluted earnings per share (HK\$)	0.007	0.012

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 2007 and 30 September 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>	
	30 Sep 2007	31 Mar 2007	30 Sep 2007	31 Mar 2007
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the existing share capital as at the end of the respective period	0.36	0.39	0.35	0.38

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 FY2008	1st Half FY2007	+ / (-)
	(Apr-Sep 07)	(Apr-Sep 06)	
Revenue by business segment	HK\$'000	HK\$'000	%
IT Services	18,326	32,752	(44)
Maintenance and Support Services	11,494	5,714	101
Business Process Outsourcing (BPO)	4,702	2,875	64
	_____	_____	
Total	34,522	41,341	(16)

The Group derives its revenue from three core business areas – IT consultancy services, maintenance and support services, and business process outsourcing (BPO). The largest revenue contribution generally comes from IT services, of 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 decreased by 16% to HK\$34.5 million in the first half of FY2008 (“1H FY08”), compared to HK\$41.3 million in the last corresponding period.

IT services remained the Group’s major revenue contributor, accounting for 53% (FY 2007: 79%) of total revenue in the 1H FY08. The fees from IT services were lower in 1H FY08 because of fewer contracts secured and lower third party hardware sales of HK\$1.2 million in 1H FY2008 compared to HK\$7.5 million in the last corresponding period.

Fees from maintenance and support services rose by 101% to HK\$11.5 million in 1H FY08 because of the increase in the number of contracts from 27 contracts in FY2007 to 33 contracts in FY2008. Many of these were either renewed or commenced after 1H FY2007 following the expiry of the warranty periods in for completed projects.

Fees from BPO increased by 64% to HK\$4.7 million in 1H FY 2008 was due to a new BPO contract awarded by the Hong Kong government for a total contract sum of US\$10.2 million. The chargeable hourly rates 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 dropped by 25% to HK\$20.5 million in 1H FY08 mainly due to a

decline in cost of third party hardware and software items from HK\$7.9 million to HK\$1.5 million.

The gross margins increased 7 percentage points from 34% to 41% was due to the decrease in revenue from sale of third party hardware and software sales. These sales eroded the Group gross margin as the profit margin for providing these hardware and software items was lower than the profit margin of other IT services. Excluding hardware sales, the Group maintained a sustainable gross margin of 43% for both years.

c. Other Gains

Other gains comprised:

	1st Half FY2008	1st Half FY2007	+ / (-)
	(Apr-Sep 07)	(Apr-Sep 06)	
	HK\$'000	HK\$'000	%
Interest income	1,423	1,137	25
Dividend income	67	14	379
Net foreign exchange gain	402	100	302
	=====	=====	
Total	1,892	1,251	51

The increase of HK\$0.6 million from other gains in 1H FY08 was mainly due to an increase in interest income of HK\$0.3 million arising from higher interest rates and cash balance in 1H FY08 and HK\$0.3 million of net foreign exchange gains.

d. Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by 14% or HK\$0.7 million in 1H FY08 mainly due to increase in audit fees for internal audit services of HK\$0.2 million, legal fee of HK\$0.2 million and utility expense of HK\$0.3 million.

e. Net profit after taxation

Despite the decrease in turnover by 16% the Group's net profit margin decreased marginally from 8.7% in 1H FY2007 to 6.1% in 1H FY2008, with a net profit of HK\$2.1million.

Balance Sheet

a. Unbilled Revenue on Service Contracts

The increase in unbilled revenue on services contracts of HK\$4.5 million was due to costs

incurred on the new contracts secured in this financial year. However, as these contracts are still in the implementation stage, the milestone payments for these contracts have not been reached.

b. Trade and other receivables

Majority of the invoices issued at last year were settled subsequently. This is in line with the decrease in trade receivables.

c. Share capital and reserves

The Group's shareholders' equity decreased from HK\$116.1 million at the beginning of the year to HK\$108.3 million as at 30 September 2007, mainly due to the payment of FY2007 final dividend of HK\$10.6 million, off-set by the profit generated from operations of HK\$2.1 million in 1H FY08.

Cash flow Statement

For the six months ended 30 September 2007, the Group's cash inflow for operations was HK\$7.6 million. Cash used in investing activities of HK\$9.2 million was primarily for payment of the FY2007 final dividend in August 2007. Overall, the Group has a healthy cash position of HK\$74.0 million as at 30 September 2007.

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

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 contracts, and was recently able to secure a new HK\$60.7 million IT Service contract for the provision of IT services to the Social Welfare Department ("SWD") of the HK Government for two years. Since there is only 5 months left in this financial year, and following our revenue recognition policy on the contract value, a substantial portion will be recognised in future years.

In view of the competitive environment and stiff challenges from other IT service providers, whilst the Group remains focused on sustaining its market share in the Hong Kong public sector, going forward, the Group is looking to diversify its risk by looking to penetrate new markets and pursuing investment opportunities regionally.

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 2007.

A final dividend was recommended and approved in respect of financial year ended 31 March 2007. The final dividend amounting to HK\$10.6 million was paid during the period ended 30 September 2007.

(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 2006.

A final dividend was recommended and approved in respect of financial year ended 31 March 2006. The final dividend amounting to HK\$14.8 million was paid during the period ended 30 September 2006.

(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
13 November 2007

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 2007 to be false or misleading.

On behalf of the Board of Directors

(signed)

LEE Wan Lik
Executive Director

(signed)

LAM Pui Wan
Executive Director