



ADVANCING  
THROUGH INNOVATION

ANNUAL REPORT 2019

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## SENIOR MANAGEMENT

Mr Stephen Ma (Vice President)  
Miss Eleanor Jim (Vice President)  
Mr Jerry Chua (Director of Azeus Philippines)  
Mr Rene Toling Lindio (Chief Technology Officer)  
Ms Mary Rose T. Tan (President of Azeus Philippines)  
Ms Peggy Sam (Group Financial Controller)

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATING COMMITTEE

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

## COMPANY SECRETARY

Mr Yap Wai Ming

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda  
Tel: 441 295 1443  
Fax: 441 295 9216

## PRINCIPAL OFFICE

33/F, Cambridge House,  
Taikoo Place, 979 King's Road,  
Quarry Bay, Hong Kong

## BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

**Estera Services (Bermuda) Limited**  
Canon's Court  
22 Victoria Street  
Hamilton 12  
Bermuda

## SINGAPORE SHARE TRANSFER AGENT

**Boardroom Corporate & Advisory Services Pte Ltd**  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

## AUDITORS

**PricewaterhouseCoopers LLP**  
Public Accountants and Chartered Accountants  
7 Straits View  
Marine One, East Tower, Level 12  
Singapore 018936  
**Mr Chua Chin San**  
Partner-in-charge since financial year  
ended 31 March 2019

## PRINCIPAL BANKERS

**Hang Seng Bank Limited**  
83 Des Voeux Road Central  
Central, Hong Kong

**Dah Sing Bank Limited**  
34th Floor  
Everbright Centre  
108 Gloucester Road  
Wanchai, Hong Kong

## PRINCIPAL LEGAL ADVISER

**Morgan Lewis Stamford LLC**  
10 Collyer Quay  
Ocean Financial Centre Level 27  
Singapore 049315

## INVESTOR RELATIONS CONTACT

**Citigate Dewe Rogerson**  
105 Cecil Street  
#09-01  
The Octagon  
Singapore 069534  
Tel: (65) 6534 5122  
Fax: (65) 6534 4171

# CONTENTS

02

Corporate Profile

03

Financial Highlights

04

Our Services and Products

06

Managing Director's Message

08

Board of Directors

10

Senior Management

11

Corporate Governance Report

23

Directors' Statement

25

Independent Auditor's Report

29

Consolidated Statement of Profit and Loss and Other Comprehensive Income

30

Balance Sheets

31

Consolidated Statement of Changes in Equity

32

Consolidated Statement of Cash Flows

33

Notes to The Financial Statements

83

Statistics of Shareholdings

85

Notice of Annual General Meeting

88

Disclosure of Information on Directors Seeking Re-Election

# CORPORATE PROFILE

Established in 1991, we are a leading IT services provider successfully delivering IT solutions to various clients in Asia Pacific and the United Kingdom (“UK”).

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 programmes of IT systems to fulfill the outsourcing needs of our customers.

We also provide a vast spectrum of maintenance and support services. One of our milestone achievements is having won the first business outsourcing project from the Hong Kong Government – covering IT process, 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 20 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.

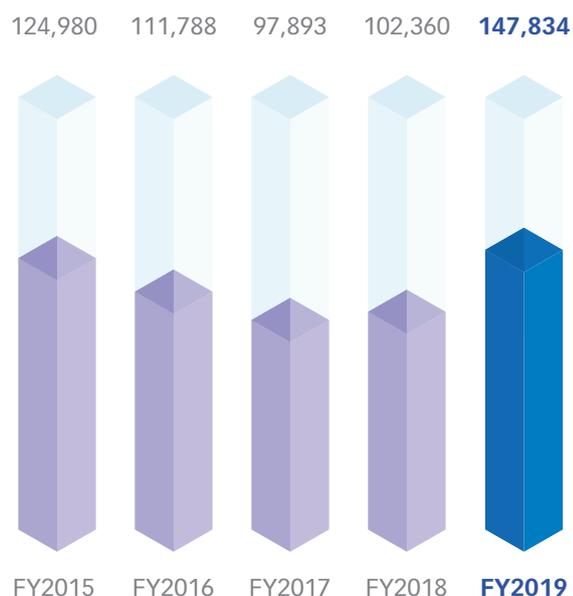
We have an experienced management team, supported by a core group of highly competent and skilled IT professionals. Together, we are committed to continuously engineer innovative IT solutions and deliver excellent IT services.

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.

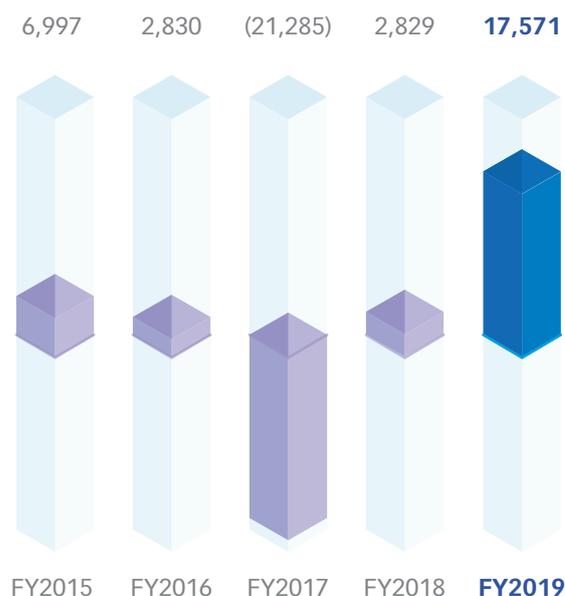
# FINANCIAL HIGHLIGHTS

## FY: FINANCIAL YEAR ENDED 31 MARCH

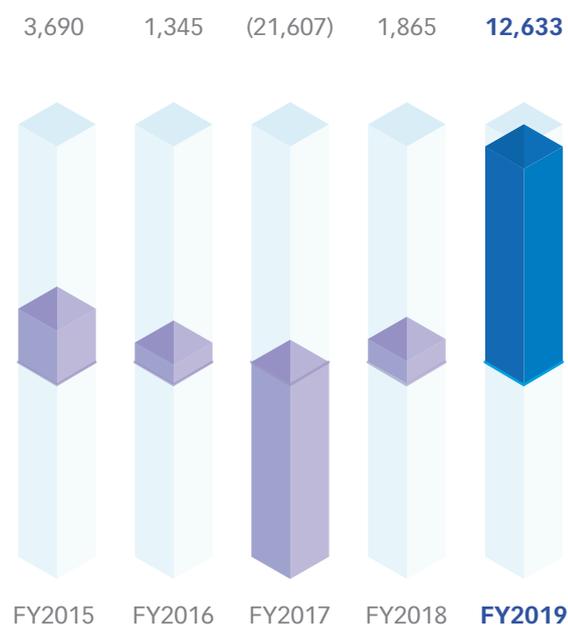
### REVENUE (HK \$'000)



### PROFIT/(LOSS) BEFORE TAX (HK \$'000)



### NET PROFIT/(LOSS) (HK \$'000)



### EARNINGS/(LOSS) PER SHARE (HK Cents)



# OUR SERVICES AND PRODUCTS

## IT CONSULTANCY SERVICES

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



## MAINTENANCE & SUPPORT SERVICES

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

# OUR SERVICES AND PRODUCTS

With our core group of highly skilled and driven IT professionals, along with our world-class software engineering processes, Azeus develops a number of innovative technologies and solutions to help our customers automate their organisations' existing operations.



azeuscare

 **convene**  
Smart. Simple. Secure.



# MANAGING DIRECTOR'S MESSAGE



"Azeus delivered a commendable year in FY2019, where we registered solid performance across all our business segments."

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you our annual report for the financial year ended 31 March 2019 ("FY2019").

Azeus delivered a commendable year in FY2019, where we registered solid performance across all our business segments. For the year, we delivered stronger top and bottom line results. We are highly encouraged by our performance this year and will continue to work towards improving our profitability to return value to our stakeholders. Over the years, the Group has built a strong foundation where we are well positioned to pursue growth opportunities and serve our clients. We are now utilizing that foundation to build a great business.

### FY2019 Financial Review

In FY2019, Azeus delivered total revenue of HK\$147.8 million, a 44.4% increase from HK\$102.4 million reported in the previous corresponding year ("FY2018").

The higher total revenue achieved for the year was mainly supported by increased sales of our two proprietary products, "Azeus Convene" and "AzeusCare", under the Azeus Products segment as well as professional IT services arising from the completion of higher value implementation service projects. Notably, revenue for the Azeus Products segment more than doubled to HK\$49.9 million in FY2019 from HK\$24.4 million in FY2018.

During the year, cost of sales increased by HK\$11.7 million or 16.8% to HK\$81.7 million in FY2019. The Group strengthened our sales force in a bid to expand our customer base. In the same vein, we incurred higher selling and marketing costs of HK\$18.0 million, an increase of 22.2% from the past financial year's HK\$14.8 million.

As a result of our overall improvement in profitability and our successful efforts in keeping costs down, Azeus ended the financial year with a net profit of HK\$12.6 million in FY2019, a commendable 577.4% growth from FY2018's HK\$1.9 million. Overall, the Group's gross profit margin improved significantly by 13 percentage points to 44.7% in FY2019, compared to 31.6% in FY2018.

Additionally, we continued to maintain a strong financial position. As at 31 March 2019, Azeus' net cash position stood at HK\$52.7 million. The Group does not have debt, nor bank borrowings.

To reward our supportive shareholders, the Group is pleased to recommend a first and final dividend of 21.0 HK cents per share.

# MANAGING DIRECTOR'S MESSAGE

## Review of Business Segments

Our Group registered broad based growth over the past financial year, where both of our business segments did well.

Our efforts to grow the Azeus Products business segment has reaped its rewards. The segment recorded strong organic growth and more than doubled in revenue from FY2018. Azeus Products saw a 104.5% growth in revenue from HK\$24.4 million in FY2018 to HK\$49.9 million in FY2019. As a result, the segment's contribution to the Group's total revenue increased from 23.8% in FY2018 to 33.8% in FY2019.

In September 2018, Azeus signed a contract valued up to £1.42 million with a local council in the United Kingdom for the supply, support and maintenance of a Social Care Case Management System with AzeusCare. The amount will be progressively recognised over the next seven years of the contract. This contract win adds on to our robust track record of public sector projects in the United Kingdom, signifying confidence in Azeus' products by our customers, having been chosen as the preferred suite of IT solutions for social care.

We will aggressively build and strengthen our sales and marketing capacity to secure a greater market share, as Azeus Products business will increasingly serve as the growth engine of the Group.

Our other business segment, Professional IT Services, remains fundamentally strong, where revenue expanded 25.6% from HK\$78.0 million in FY2018 to HK\$97.9 million in FY2019. This segment is made up of two core business areas, IT services and Maintenance and Support Services, of which both performed well.

Revenue from IT services increased 48.7% from HK\$31.6 million in FY2018 to HK\$47.0 million in FY2019 from the completion of higher value implementation service projects. Its contribution to total revenue for FY2019 hence increased to 31.8% from 30.9% in FY2018.

Similarly, revenue from Maintenance and Support Services increased by 7.5% from HK\$46.0 million in FY2018 to HK\$49.5 million in FY2019, due to an increase in the number of projects in production and under maintenance period. The contribution of this segment represented 33.4% of total revenue in FY2019.

Going forward, the Group expects to see progressive recognition of revenues from the recent contract wins from the Hong Kong Government and the United Kingdom local councils in both our business segments.

## Outlook

The Group is confident that it is well positioned to capture an even larger universe of clients, continue to diversify its revenue mix, and deliver strong returns for its shareholders in the years ahead. We will focus relentlessly on our customers and balance our focus on growth with emphasis on long-term profitability and capital management.

Looking ahead, we will maintain a growth strategy that ensures the continued success of our businesses as we expand and strengthen our presence across geographical markets to deliver value to our shareholders. While IT Services is project based and revenue can be lumpy; Maintenance and Support Services is a stable earner. We are focused on growing stable recurrent revenue from Azeus Products business segment. We look forward to your continued support as we take Azeus to greater heights.

## Words of Appreciation

I would like to express my gratitude to our management team and staff who have supported the Group through their dedication and commitment.

On behalf of the board, I would like to thank all our shareholders, customers, business associates and employees for their unwavering support and confidence in Azeus.

Yours sincerely,

**LEE WAN LIK**

*Founder and Managing Director*

# BOARD OF DIRECTORS

## MR LEE WAN LIK

*Managing Director*

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Appointed to our Board on 12 May 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. He is also a Fellow of the British Computer Society and the Institution of Engineering and Technology.

## MS LAM PUI WAN

*Executive Director*

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Ms Lam Pui Wan was appointed to our Board on 12 May 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

*Lead Independent Director*

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Mr Michael Yap Kiam Siew was appointed as an independent Director of Azeus on 14 September 2004. He is the Founder and Chairman of TNB Ventures Pte Ltd and The Co-Foundry Pte Ltd. Prior, he served as the Deputy Chief Executive Officer of the Media Development Authority of Singapore (MDA) until January 2013. 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 BusinessWeek's 50 Stars of Asia and by the World Economic Forum as one of the Top 100 Future Global Leaders.

# BOARD OF DIRECTORS

## MR KOJI MIURA

*Independent Director*

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Mr Koji Miura was appointed as an Independent Director of Azeus on 14 September 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*

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Mr Chan Ching Chuen, joined Azeus Systems Holdings Board of Directors on 1 February 2008 as an Independent Director. 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 Electronics Engineering, University of Hong Kong from 1994 to 2000. He is the Founding President of World Electric Vehicle Association, Past President of Hong Kong Institution of Engineers. He co-founded the Institute of Sustainable Energy at the Chinese University of Mining and Technology in 2015. He was appointed by the Chief Executive of Macau Special Administrative Region as Science and Technology Advisor.

He is a Fellow of the Royal Academy of Engineering, U.K., the Chinese Academy of Engineering, the Ukraine Academy of Engineering Sciences, Honorary Fellow of Hungarian Academy of Engineering and a Fellow, Vice President (2000 – 2003) and Senior Advisor of Hong Kong Academy of Engineering Sciences. He is also a Fellow of IEEE, IET and HKIE. He is lecturing on electric vehicles worldwide. He was awarded the IEE International Lecture Medal, Gold Medal of Hong Kong Institution of Engineers, World Federation of Engineering Organizations Medal of Engineering Excellence, Prince Philip Medal of Royal Academy of Engineering, Guanghua Engineering Prize of Chinese Academy of Engineering and IEEE Transportation Technologies Award in 2000, 2010, 2013, 2014, 2016 and 2018 respectively.

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 as well as serving as advisor to government agencies.

Mr Chan graduated from China University of Mining and Technology undergraduate programme and Tsinghua University postgraduate programme in 1957 and 1959 respectively. 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 STEPHEN MA

*Vice President*

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Mr Stephen Ma joined Azeus Hong Kong in June 1993 as a Junior Associate. He holds a Bachelor of Science in Computer Science from the University of Hong Kong.

Mr Ma is responsible for the management of professional services in the Group's Hong Kong operation. He has been involved in programme management for the information technology professional services of the Office of Government Chief Information Officer of Hong Kong since 2007.

## MR JERRY CHUA

*Director of Azeus Philippines*

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Mr Jerry Chua joined Azeus Philippines in March 1995. He currently assists in the general management of the Group's Philippines operation.

Mr Chua holds a Bachelor of Science in Computer Science from Ateneo de Manila University and a Master of Business Administration from University of the Philippines.

## MS MARY ROSE T. TAN

*President of Azeus Philippines*

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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.

## MISS ELEANOR JIM

*Vice President*

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Miss Eleanor Jim joined Azeus Systems in May 2005. She currently assists in the general management of the Group's overseas operation as well as management of contracts and agreements.

She holds a Bachelor of Engineering in Electrical and Electronic Engineering from the University of Hong Kong and a Master of Science in Information Engineering from the Chinese University of Hong Kong. She also holds a Bachelor of Laws (LLB) from the University of London.

## MR RENE TOLING LINDIO

*Chief Technology Officer*

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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.

Mr Lindio joined Azeus Philippines as a Junior Associate in April 1994 and was promoted to Chief Technology Officer in 2004. He holds a Bachelor of Science in Mathematics from the University of the Philippines – Los Banos.

## MS PEGGY SAM

*Group Financial Controller*

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Ms Peggy Sam has been with our Group since 15 March 2004. She is responsible for all financial activities of Azeus.

Between 1994 and 2003, Ms Sam was with Pricewaterhouse Coopers, including a two year secondment to Pricewaterhouse Coopers, 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 Sam is also a member of Chartered Professional Accountant of Canada since 2009.

# 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.

Rule 710 of the SGX-ST Listing Manual requires an issuer to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance in its annual report. An issuer is required to disclose any deviations from any Principles and Guidelines of the Code of Corporate Governance together with an appropriate explanation for such deviation in the annual report. This report outlines the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 ("the Code"). The Company has generally complied with the principles and guidelines as set out in the Code. Where there are deviations from the Code, appropriate explanations have been provided.

## BOARD MATTERS

### Principle 1: The 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 of the Company and the Group, 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 to:

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks such as financial, operational, information technology and compliance to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- (e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board meets at least twice a 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 as and when circumstances require, such as to address significant transactions or issues. Where physical meetings are not possible, timely communication with members of the Board and Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company's Bye-Laws provides for Directors to participate in Board by means of teleconference, video-conferencing and visual equipment.

To assist in the efficient implementation and execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee. Specific responsibilities, which are outlined in the respective Terms of Reference, have been delegated to each of the committees. Each Board Committee will report to the Board and makes its recommendations to the Board on matters under its purview. The Board accepts that while these Committees have the authority to examine particular issues and will report to the Board their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

# CORPORATE GOVERNANCE REPORT

The Board through the Nominating Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. Newly appointed directors are briefed on the Group's business activities and governance practices and provided with information on their duties and obligations as a director under the Bermuda law. A formal letter of appointment will also be sent to any newly appointed Director setting out his/her duties and obligations upon his/her appointment.

Existing Directors are encouraged to attend courses to update their knowledge and better equip themselves to discharge their duties as a Director and such courses may be funded by the Company, subject to the approval of the Chairman.

During the financial year ended 31 March 2019, the number of meetings held by the Board and its committees and the details of the attendances are as follows:-

	<b>Board of Directors</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nominating Committee</b>
Number of Meetings held	2	2	1	1
<b>Name</b>	<b>Number of Meetings attended</b>			
Mr Lee Wan Lik (Managing Director and CEO) - spouse of Lam Pui Wan	2	2*	1*	1
Ms Lam Pui Wan (Executive Director) - spouse of Lee Wan Lik	2	2*	1*	1*
Mr Michael Yap Kiam Siew (Independent Director)	2	2	1	1
Mr Koji Miura (Independent Director)	2	2	1	1*
Mr Chan Ching Chuen (Independent Director)	1	1	1	1

Notes: \*- by invitation

Key matters that are specifically reserved for the Board's consideration and decision include, but are not limited to, corporate planning, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, formulation of any dividend policy or the change of such dividend policy, declaration of dividends and determining the remuneration policy for the Directors.

## Principle 2: Board Composition and Guidance

The Board currently comprises of 5 members, three of whom are Independent Directors. A brief profile of each Director is presented in the profile of Board of Directors section of this Annual Report and their shareholdings in the Company and its subsidiaries as at 31 March 2019 are disclosed in the Directors' Report of the Audited Financial Statements for the financial year ended 31 March 2019.

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 who are independent of management and are also independent in terms of character and judgement.

# CORPORATE GOVERNANCE REPORT

Even though Mr Michael Yap Kiam Siew, Mr Koji Miura and Mr Chan Ching Chuen have served on the Board for more than nine years, the NC, with the concurrence of the Board, is of the view that in assessing the independence of the Independent Directors, one should consider the substance of their professionalism, integrity and the objectivity and not merely based on the number of years which they have served on the Board. In view of this, having considered the above and weighing the need for progressive refreshing of the Board, the NC and the Board have determined that Mr Yap, Mr Miura and Mr Chan's tenure in office have not affected their independence or ability to bring about independent and considered judgement to bear in the discharge of their duties as members of the Board. They provide a strong independent element on the Board, being free from any business or other relationship, which could materially interfere with the exercise of their judgement. These Directors continue to provide stability to the Board and the Company has benefited greatly from the presence of individuals who are specialists in their own field. Furthermore, their length of service on the Board has not only allowed them to gain valuable insight into the Group, its business, markets and industry, but has also given them the opportunity to bring the full breadth and depth of their business experience to the Company.

The Non-Executive Directors met up without the presence of Management, to facilitate a more effective check on the Management.

### **Principle 3: Chairman and Chief Executive Officer ("CEO")**

The Group's Executive Chairman, Managing Director and CEO 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 NC, with the concurrence of the Board is of the opinion that vesting the roles of both Chairman and CEO in the same person who is knowledgeable in the business of the Group provides strong and consistent leadership, thus allowing for more effective planning and execution of long term business strategies. As such, there is no need for the role of the Chairman and CEO to be separated. The NC will review the need to separate the roles from time to time and make its recommendations accordingly. The role of Mr Lee as the Chairman and CEO of the Company does not affect the independence of the Board as the Independent Directors make up more than 50% of the Board.

Taking cognizance that the Chairman and the CEO are the same person, the Board has since financial year ended 31 March 2015, appointed Mr Michael Yap Kiam Siew as the Lead Independent Director ("LID") of the Company. Mr Yap will be available to shareholders where they have concerns where contact through the normal channels of the Chairman, CEO or CFO has failed to resolve or for which such contact is inappropriate. He can also facilitate periodic meetings with the other Independent Directors in board matters, when necessary and provides feedback to the Executive Chairman after such meeting.

His other specific roles as LID are as follows:

- (a) act as liaison between the Independent Directors and the Executive Chairman and CEO and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Executive Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;
- (b) advise the Executive Chairman of the Board as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties; and
- (c) assist the Board and Company officers in better ensuring compliance with and implementation of corporate governance.

# CORPORATE GOVERNANCE REPORT

## Principle 4: Board Membership

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

The NC should make recommendations to the Board on relevant matters relating to:-

- (a) the review of board succession plans for directors, in particular, the Chairman and for the CEO;
- (b) the evaluation of the performance of the Board and Board Committees as a whole;
- (c) the review of training and professional development programs for the Board; and
- (d) the appointment and re-appointment of directors (including alternate directors, if applicable).

The NC has adopted the Code’s definition and criteria for independence. Each Independent Director is required to submit a Confirmation of Independence Form annually for the NC’s review.

During the year, the NC has reviewed the independence of the Independent Directors according to the criteria set out in the Code. These Directors have demonstrated strong independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors. They continue to express their individual viewpoints, debate on issues, objectively scrutinise and challenge Management’s proposals as well as participate in discussions on business activities and transactions involving conflicts of interests and other complexities.

Having considered the above, the NC is of the view that Mr Michael Yap Kiam Siew, Mr Koji Miura and Mr Chan Ching Chuen are independent. All three directors have abstained from any discussion and recommendation in respect of their own independence.

None of the above three Independent Directors are related to, and do not have any relationship with, the Company, its related corporations, its 10% shareholders, or its officers or are in any circumstances that could interfere, or be reasonably perceived to be interfere, with the exercise of their independence business judgement with a view to the best interests of the Company. The Board has concurred with the NC’s assessment.

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.

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.

For the forthcoming Annual General Meeting (“AGM”), the NC has recommended that Mr Michael Yap Kiam Siew and Mr Chan Ching Chuen who will retire pursuant to Bye-Law 104 of the Company’s Bye-Laws, to be nominated for re-election. In making the recommendation, the NC had considered the Directors’ overall contributions and performance and competencies in fulfilling their responsibilities as Directors to the Board.

The NC has recommended the re-election of the retiring Directors and the Board has accepted the NC’s recommendation. Please refer to the notice of AGM for the resolutions put forth in relation to their respective re-elections.

There is no alternate director appointed to the Board as at the date of this Annual Report.

In the selection and nomination for new directors, the NC identifies the key attributes that an incoming director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of the directors’ personal contacts for recommendations of potential candidates. The potential candidates will go through a short listing process. Interviews are then set up with the short listed candidates for the NC to assess them before a decision is made.

# CORPORATE GOVERNANCE REPORT

A newly appointed Director will have to submit himself for retirement and election at an AGM immediately following his appointment and thereafter, be subjected to retirement by rotation. No new Director was appointed by the Company in FY2019.

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 Board has set the maximum number of 10 listed company board representations which any Director of the Company may hold at any one time. All Directors have complied with this requirement. A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary.

The NC, having considered the confirmations received from the Independent Directors, is of the view that the other board representations and principal commitments of the Independent Directors do not hinder them from carrying out their duties to the Company. The NC is satisfied that sufficient time and attention have been accorded by these Independent Directors to the affairs of the Company. The Board concurred with the NC's views.

Please refer to the Profile of Board of Directors as set out on Page 8 of the Annual Report for key information on the Directors.

## **Principle 5: Board Performance**

The NC will assess the effectiveness of the Board and its board committees as a whole.

The NC, in considering the re-appointment of a Director, will evaluate the performance of the Director's contributions such as his or her attendance record at meetings of the Board and Board committees, active participation during these meetings and the quality of his or her contributions. The NC has initiated the assessment of the effectiveness of the Board as a whole on an annual basis. The evaluation of the Board's performance is conducted by means of a questionnaire which is then collated and the findings analysed and discussed. The results of the Board's performance assessment are reviewed and circulated to the Board for consideration. Recommendations to further enhance the effectiveness of the Board are implemented as appropriate.

The Board has allocated budgets for directors to attend training and will make recommendations to the Board on the training and professional development programmes for the Board members.

## **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 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 Secretary. The Company Secretary or his representatives 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 Secretary or his representatives 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").

The appointment and the removal of the company secretary should be a matter reserved for the Board.

The Board, in the furtherance of their duties, may either individually or as a group, to take independent professional advice at the expense of the Company.

# 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. All of them are Independent Directors of the Company.

The RC is responsible for:-

- (a) recommending to the Board a remuneration framework for the Board key management personnel;
- (b) determining a specific remuneration package for each Director and each of the key management personnel; and
- (c) considering all aspects of remuneration, including but not limited to Directors’ fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

The RC can access to expert advice in the field of Executive compensation outside the Company, as and when required. Such expenses are to be borne by the Company,

The Board has not engaged any external remuneration consultant to advise on the remuneration matters for FY2019.

### Principle 8: Level and Mix of Remuneration

The Executive Directors do not receive director’s fees. The remuneration of the Executive Directors and the key management personnel 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.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company. The company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event such breach of fiduciary duties.

### Principle 9: Disclosure on Remuneration

#### Directors’ remuneration

A breakdown, showing the level and mix of each individual director’s remuneration paid or payable for the financial year ended 31 March 2019 is as follows:

Name of Director	Salary	Bonus	Director’s fees	Termination, retirement and post-employment benefits	Total
Mr Lee Wan Lik – spouse of Lam Pui Wan	HK\$600,000	–	–	HK\$18,000	HK\$618,000
Mr Michael Yap Kiam Siew (S\$28,000)	–	–	HK\$158,194	–	HK\$158,194
Mr Koji Miura (S\$25,000)	–	–	HK\$141,245	–	HK\$141,245
Mr Chan Ching Chuen (S\$25,000)	–	–	HK\$141,245	–	HK\$141,245
Ms Lam Pui Wan – spouse of Lee Wan Lik	HK\$208,000	–	–	–	HK\$208,000

# CORPORATE GOVERNANCE REPORT

The Company only has 6 key management personnel and the disclosure of their remuneration in bands of S\$250,000 for the financial year ended 31 March 2019 is as follows:

Remuneration band and name of key management personnel	Salary	Bonus	Termination, retirement and post-employment benefits	Total
Individual remuneration is <S\$250,000 (approximately HK\$1,500,000)				
Mr Stephen Ma	98%	–	2%	100%
Mr Jerry Chua	86%	–	14%	100%
Mr Rene Toling Lindio	84%	–	16%	100%
Ms Mary Rose T. Tan	85%	–	15%	100%
Ms Peggy Sam	100%	–	–	100%
Miss Eleanor Jim	98%	–	2%	100%
Total remuneration paid in FY 2019 to the key management	HK\$3,330,673	–	HK\$206,882	HK\$3,537,555

The remuneration of the Independent Directors is in the form of a fixed fee. The fees of the Directors will be subject to shareholders' approval at the AGM. The RC is of the view that the current remuneration of the Independent Directors is appropriate, taking into account factors such as effort and time expended and responsibilities. Other than Directors' fees, the Independent Directors do not receive other form of remuneration from the Company. The RC has recommended the payment of the Directors' fees of S\$78,000 for the financial year ended 31 March 2019. This recommendation has been endorsed by the Board and will be tabled at the Company's AGM for shareholders' approval.

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 the 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 S\$50,000 in the financial year ended 31 March 2019.

## Annual bonus

The remuneration packages of the Executive Directors and key management personnel include a discretionary variable annual bonus which is based on the Company's and the individual's performance and have been designed to align their interests with those of shareholders. The key management personnel have met the performance conditions required of them for the financial year ended 31 March 2019.

# CORPORATE GOVERNANCE REPORT

## 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.

### Principle 11: Risk Management and Internal Controls

The Board is responsible for ensuring that there is a system of internal financial controls, operational and compliance controls and information technology controls, and risk management policies and for reviewing its adequacy and effectiveness. The Management is responsible for internal control and for ensuring compliance therewith. The Audit Committee assists the Board in discharging its internal control review responsibilities. The Board makes continuous efforts to embed internal controls into the operations of the businesses and to deal with areas of improvement which come to the attention of Management and the Board.

The Company does not have a Risk Management Committee. However, Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC. The Group's financial risk management is disclosed under Note 28 of the Notes to the Financial Statements on Pages 68 to 77 of this Annual Report.

The Company has engaged Moore Stephens Advisory Services Limited, the internal auditor, to perform a risk assessment update and perform a follow-up review and test of key controls for identified risks in key areas of the Group's operations, with the objectives of mitigating the risks and enhancing operating effectiveness. Material non-compliance and internal control weaknesses as well as recommendations for improvements noted during the audit will be reported to the AC. The AC will review the effectiveness of the action taken by the Management on the recommendations made by the internal auditor in this respect.

The Board notes that these internal control systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

For FY2019, the AC has reviewed the Internal Auditor Report presented by the Internal Auditors. The AC and the Board are of the view that based on the reports from the internal auditor, the system of internal controls that has been maintained by Management throughout the financial year is adequate to meet the needs of the Company.

The Board has received written assurances from the CEO and the Group Financial Controller (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) that the risk management and internal control systems of the Company is adequate and effective to deal with major risks relating to financial, operational, information technology and compliance aspects.

Based on the systems of risk management and internal controls established and maintained by the Group, work performed and reports by the internal and external auditors and the above written assurances, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems, addressing the financial, operational, compliance and information technology risks, are effective and also adequate.

# CORPORATE GOVERNANCE REPORT

## Principle 12: 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 Board is of the view that the AC members are appropriately qualified, having the necessary recent and relevant accounting and/or related financial management expertise or experience as the Board interprets such qualifications to discharge their responsibilities.

The AC has kept the recent and relevant accounting or related financial management expertise or experience up-to-date by attending the training provided by the relevant regulatory parties.

In addition, the auditor of the Company provides update on recent developments to accounting standards to AC members on half yearly basis to ensure all AC members and management to keep abreast of the changes to accountings standards and issues which have a direct impact on financial statements.

The AC will meet periodically to, inter alia:

- (a) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company’s financial performance;
- (b) review with the internal auditor their audit plan and report to the Board at least annually the adequacy of the internal audit procedures and their evaluation of the effectiveness of the Company’s overall internal controls, including financial, operational, compliance and information technology controls;
- (c) review interested person transactions, if any, to ensure that the internal control and review procedures are adhered to;
- (d) review the scope and results of the external audit, and the independence and objectivity of the external auditors; and
- (e) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

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 our 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 auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment as auditor at the forthcoming AGM of the Company.

For the financial year ended 31 March 2019, remuneration paid and payable to PricewaterhouseCoopers LLP in relation to audit and non-audit services were HK\$1,182,000 and HK\$32,000 respectively.

In line with the Code, a private session between the AC with the external and the internal auditors was held to discuss any matters concerning the Company without the presence of the Management. Both the internal and external auditors have confirmed that they have access to and received the co-operation and assistance from Management and no restrictions were placed on the scope of their respective audits.

# CORPORATE GOVERNANCE REPORT

The AC has confirmed the Company has complied with Rule 712 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) in that PricewaterhouseCoopers (“PwC”) LLP is registered with the Accounting and Corporate Regulatory Authority. The AC is satisfied that the resources and experience of PwC, the audit engagement partner and his team assigned to the audit of the Group are adequate to meet their audit obligations, given the size, nature and operations of the Group.

The Group has one Singapore subsidiary and it is dormant and not required to be audited. Other than the overseas subsidiaries which were exempted from audit requirement under their respective laws of the country of incorporation, the overseas subsidiaries of the Group are either audited by a member firm of PwC or by the suitable auditing firms in their respective country of incorporation.

The AC and the Board are satisfied that the appointment of different auditing firms for its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The AC confirmed that the Company has complied with Rules 715 and 716 of the Listing Manual of the SGX-ST.

Although PwC was not appointed as the statutory auditor of the subsidiary for the issuance of the local statutory financial statements, they have performed adequate audit work on the Group independently, including the subsidiary, in forming their audit opinion for the financial year ended 31 March 2019. Please refer to Note 16 under the Notes to the Financial Statements on Page 58 of this Annual Report.

## **Principle 13: Internal Audit**

The Company has outsourced its internal audit function to an independent qualified firm of auditors Moore Stephens Advisory Services Limited, as its internal auditor, to review the effectiveness of the Company’s material internal controls. The AC will hire, remove, evaluate and remunerate the internal auditor.

The resulting report issued by the internal auditor is reviewed in detail by the AC in conjunction with Management. The AC will consider the effectiveness of responses / actions taken by Management on the audit recommendations and observations.

## **SHAREHOLDERS’ RIGHT AND RESPONSIBILITIES**

### **Principle 14: Shareholder Rights**

The Company respects and upholds shareholders’ rights, and tenders its communication with shareholders with care. The Board recognises and exercises its overall responsibility to shareholders, by ensuring accurate financial reporting for the Company’s overall internal control framework, including financial, operational, information technology and compliance controls, risk management policies and through systems needed to safeguard the shareholders’ investments and assets of the Company. The Company’s Bye-laws were amended to provide for the attendance by nominees of shareholders at general meetings. The Company encourages and facilitates shareholder engagement and participation through its meetings and briefings referred to in Principle 15 (below).

### **Principle 15: Communication with Shareholders**

The Company engages in regular, effective and fair communication with shareholders. The Board is mindful of the obligations to provide timely information and full disclosure of material information to shareholders in accordance with the statutory requirement and the listing manual of the SGX-ST. Information is communicated to shareholders on a timely basis. All material information and financial results are released through SGXNET.

Notice of the AGM or the Special General Meeting (“SGM”), if any, and Annual Reports are issued to all shareholders of the Company. The Notice of AGM or SGM is also advertised in newspaper and announced via SGXNET. Information on major new initiatives of the Company is also disseminated via SGXNET, news release and made available on the Company’s website.

Regular meetings are held with investors, analysts, fund managers and the press. The Group also has a corporate web-site ([www.azeus.com](http://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.

# CORPORATE GOVERNANCE REPORT

While the Company has no official policy on the payment of dividends, it has consistently paid out the bulk of its profits as dividends since its listing in 2004. The amount of dividends paid each year will depend on factors that include the Group's profit level, cash position and future cash needs.

Subject to shareholders' approval at the forthcoming AGM, the Board is recommending a final dividend of 21.0 HK cents per share for the financial year ended FY2019.

## **Principle 16: Conduct of Shareholder Meetings**

The AGM of the Company represents the principal forum for dialogue and interaction with all shareholders. At each AGM, the Board welcomes questions from shareholders who have an opportunity to raise questions or share their views regarding the proposed resolutions and the Company's business and affairs, either informally or formally before or at the AGM.

The Chairman of the Board Committees, Directors, senior management and external auditors will be present and available at the general meeting to attend to the queries/questions from shareholders.

As a matter of policy and practice, minutes of general meetings including comments from shareholders, on all or any issues on the agenda, and responses from the Board and Management, are always available to shareholders upon request.

In compliance with the listing rules of the SGX-ST and to promote greater transparency in general meetings and enhancing shareholders' engagement, the Company has been conducting voting by poll on all resolutions tabled at all general meetings since 1 August 2015.

Separate resolutions are proposed at general meetings for each distinct issue. Details results of the poll voting on each resolution tabled at the general meetings (with the number of votes cast for and against each resolution and the respective percentages) are released via SGXNet on the same day after the conclusion of the general meeting.

The Company has not amended its Bye-Laws to provide for absentia voting method. As the authentication of Shareholder identity information and other related security issues remain a concern, the Company has decided, for the time being, not implement voting in absentia by mail, e-mail or fax.

## **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 Company has adopted an internal code of practice for securities transactions by all Directors, officers and employees of the Group in compliance with Rule 1207(19) of the Listing Manual of SGX-ST.

In compliance with the above-mentioned Rule, Directors, officers and employees of the Group have been advised not to trade in the listed securities of the Company when in possession of unpublished price-sensitive information or on short-term considerations. Directors, officers and employees are also advised not to trade in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial results and ending on the day of the announcement of the relevant results. All directors, officers and managers are required to file with the Company regular reports on all their dealings in the listed securities of the Group during the financial year.

## **Material Contracts**

There were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, directors or controlling shareholders, which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

# CORPORATE GOVERNANCE REPORT

## **Interested Person Transactions**

The Group has adopted an internal policy in respect of any transactions with interested persons and established procedures for the review and approval of such transactions.

An interested person transactions will be properly documented and submitted to the AC for half-yearly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no significant interested person transactions during the financial year.

## **Whistle Blowing Policy**

The whistle blowing policy of the Group serves to encourage and provide a good channel to employees to report and to raise, in good faith and in confidence, concerns about possible improprieties in financial reporting, criminal activities, failure to comply with the laws and regulations, any suspected wrongdoing of fraud or other matters. A well-defined process ensures independent investigation of such matters and the assurance that employees will be protected to the extent possible from reprisals. Under the policy, employees may report their concerns to either the human resource department or even approach the Independent Directors. There were no whistle blowing incidents reported during the year.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 March 2019 and the balance sheet of the Company as at 31 March 2019.

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 29 to 82 are drawn up so as to present fairly, in all material aspects, the financial position of the Company and of the Group as at 31 March 2019 and the profit and loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

## Directors

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

Mr Lee Wan Lik  
Ms Lam Pui Wan  
Mr Michael Yap Kiam Siew  
Mr Koji Miura  
Mr Chan Ching Chuen

## 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		Holdings in which director is deemed to have an interest	
	At 31.3.2019	At 1.4.2018	At 31.3.2019	At 1.4.2018
<b>Azeus Systems Holdings Ltd.</b>				
<u>(No. of ordinary shares)</u>				
Mr Lee Wan Lik	8,032,132 <sup>(1)</sup>	8,032,132 <sup>(1)</sup>	15,300,000 <sup>(2)</sup>	15,300,000 <sup>(2)</sup>
Ms Lam Pui Wan	1,400,000 <sup>(1)</sup>	1,400,000 <sup>(1)</sup>	15,300,000 <sup>(2)</sup>	15,300,000 <sup>(2)</sup>
<b>Ultimate Holding Corporation</b>				
<b>Mu Xia Ltd.</b>				
<u>(No. of ordinary shares)</u>				
Mr Lee Wan Lik	1,200	1,200	10,800	10,800
Ms Lam Pui Wan	10,800	10,800	1,200	1,200

(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.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## Directors' interests in shares or debentures (continued)

- (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 directors' interests in the ordinary shares of the Company as at 21 April 2019 were the same as those as at 31 March 2019.

## Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

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Lee Wan Lik  
Director

13 June 2019

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Lam Pui Wan  
Director

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AZEUS SYSTEMS HOLDINGS LTD.

In our opinion, the accompanying financial statements of Azeus Systems Holdings Ltd. (the "Company") and its subsidiaries (the "Group") present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Company as at 31 March 2019, and the consolidated financial performance, consolidated changes in equity and consolidated cash flows for the financial year then ended in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s").

## *What we have audited*

The financial statements comprise:

- the consolidated statement of profit and loss and other comprehensive income of the Group for the financial year ended 31 March 2019;
- the balance sheets of the Group and of the Company as at 31 March 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

## **Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

## *Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

## **Our Audit Approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AZEUS SYSTEMS HOLDINGS LTD.

## Our Audit Approach (continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 March 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Revenue recognition - measurement of percentage of completion</b> (Refer to Notes 3(a) and 4 to the financial statements)</p> <p>There are 3 main revenue streams under provision of IT services:</p> <p>i) Systems implementation and enhancement (FY2019: HK\$47.0 million, FY2018: HK\$31.6 million);</p> <p>ii) Sales of hardware and software (FY2019: HK\$1.5 million, FY2018: HK\$0.3 million); and</p> <p>iii) Maintenance and support services (FY2019: HK\$49.5 million, FY2018: HK\$46.0 million).</p> <p>For the financial year ended 31 March 2019, revenue from the provision of systems implementation and enhancement services represented 31.8% of the Group's revenue (FY2018: 30.9%).</p> <p>The Group recognises revenue from systems implementation and enhancement by reference to the Group's progress towards completing the implementation and enhancement of the IT systems. The measure of progress is determined based on the percentage of actual time costs incurred to date to the estimated total time costs.</p> <p>Significant management judgement is involved in estimating the cost to complete.</p>	<p>We have performed the audit procedures which include the following:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of and evaluating the internal controls and validating key controls in place on revenue recognition;</li> </ul> <p>In relation to actual contract costs incurred, we:</p> <ul style="list-style-type: none"> <li>Tested, on sampling basis, the accuracy of time costs captured that reflects the progress of the projects; and</li> <li>Assessed the reasonableness of cost incurred against our understanding of the project and through discussion with project managers.</li> </ul> <p>In relation to estimated total contract costs, we:</p> <ul style="list-style-type: none"> <li>Discussed with the project managers to assess and review the reasonableness of estimated total contract costs;</li> <li>Traced, on sampling basis, the cost to complete for selected systems implementation and enhancement projects by substantiating costs that have been committed to contracts entered; and</li> <li>Performed, on a sampling basis, budget versus actual cost assessment.</li> </ul> <p>We also recomputed the cumulative contract revenue and the contract revenue for the current financial year, as well as provision for onerous contracts (where relevant). No material differences were identified.</p> <p>We found the judgements and estimates used in the recognition of revenue to be supported by the available evidence and the disclosures in the financial statements to be adequate.</p>

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AZEUS SYSTEMS HOLDINGS LTD.

## Other Information

Management is responsible for the other information. The other information comprises the sections that have been included in the Group's 2019 Annual Report for the financial year ended 31 March 2019 (but does not include the financial statements and our auditor's report thereon):

- Corporate Profile
- Corporate Information
- Financial Highlights
- Our Services and Products
- Managing Director's Message
- Board of Directors
- Senior Management
- Corporate Governance Report
- Directors' Statement
- Statistics of Shareholdings

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially missed.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with SFRS(I)s and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AZEUS SYSTEMS HOLDINGS LTD.

## Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr Chua Chin San.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants

Singapore, 13 June 2019

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	4	147,834	102,360
Cost of sales	5	(81,729)	(69,986)
Gross profit		66,105	32,374
Other income	7	91	7,758
Other (losses)/gains	8	(2,879)	4,546
Impairment losses of financial assets		(546)	(1,111)
Expenses			
- Selling and marketing	5	(18,042)	(14,765)
- Administrative	5	(27,158)	(25,973)
Profit before income tax		17,571	2,829
Income tax expense	9	(4,938)	(964)
<b>Total profit</b>		<b>12,633</b>	<b>1,865</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation gains/(losses) arising from consolidation		1,979	(3,447)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined retirement benefits	20	(4,488)	8,752
Tax on actuarial losses/(gains)	21	448	(875)
		(4,040)	7,877
<b>Other comprehensive (losses)/income, net of tax</b>		<b>(2,061)</b>	<b>4,430</b>
<b>Total comprehensive income</b>		<b>10,572</b>	<b>6,295</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		12,633	1,865
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		10,572	6,295
<b>Earnings per share for profit attributable to equity holders of the Company (HK cents per share)</b>			
- Basic	10	42.11	6.22
- Diluted	10	42.11	6.22

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

# BALANCE SHEETS

AS AT 31 MARCH 2019

Notes	Group			Company			
	31 March 2019	31 March 2018	1 April 2017	31 March 2019	31 March 2018	1 April 2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and bank deposits	11	54,249	60,123	41,105	774	3,054	644
Trade and other receivables	12	25,109	21,607	24,594	60,310	46,593	52,350
Contract assets	14	37,976	12,769	19,016	–	–	–
Inventories	15	13,304	5,285	1,423	–	–	–
Current income tax assets	9	345	1,566	1,580	–	–	–
		<b>130,983</b>	101,350	87,718	<b>61,084</b>	49,647	52,994
<b>Non-current assets</b>							
Refundable deposits		435	1,382	1,398	–	–	–
Investments in subsidiaries	16	–	–	–	50,283	50,467	50,386
Property, plant and equipment	17	954	952	983	–	–	–
Intangible assets	18	10,527	14,803	15,491	–	–	–
Deferred income tax assets	21	689	219	1,124	–	–	–
		<b>12,605</b>	17,356	18,996	<b>50,283</b>	50,467	50,386
<b>Total assets</b>		<b>143,588</b>	118,706	106,714	<b>111,367</b>	100,114	103,380
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables	19	7,643	10,288	5,629	1,307	1,457	1,257
Contract liabilities	14	28,773	16,227	8,630	–	–	–
Current income tax liabilities	9	2,160	955	80	–	–	–
		<b>38,576</b>	27,470	14,339	<b>1,307</b>	1,457	1,257
<b>Non-current liabilities</b>							
Contract liabilities	14	1,510	952	133	–	–	–
Provision for defined retirement benefits	20	6,697	2,099	10,415	–	–	–
Other payables	19	–	92	29	–	–	–
		<b>8,207</b>	3,143	10,577	–	–	–
<b>Total liabilities</b>		<b>46,783</b>	30,613	24,916	<b>1,307</b>	1,457	1,257
<b>NET ASSETS</b>		<b>96,805</b>	88,093	81,798	<b>110,060</b>	98,657	102,123
<b>EQUITY</b>							
<b>Capital and reserves attributable to equity holders of the Company</b>							
Share capital	22	46,800	46,800	46,800	46,800	46,800	46,800
Share premium	23	56,489	56,489	56,489	56,726	56,726	56,726
Foreign currency translation reserve		3,503	1,524	4,971	–	–	–
Other reserves	23	1,350	1,350	1,330	–	–	–
Defined retirement benefits (Accumulated losses)/retained profits	24	(3,951)	89	(7,788)	–	–	–
		<b>(7,386)</b>	(18,159)	(20,004)	<b>6,534</b>	(4,869)	(1,403)
<b>Total equity</b>		<b>96,805</b>	88,093	81,798	<b>110,060</b>	98,657	102,123

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

← Attributable to equity holders of the Company →							
Note	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Other reserves HK\$'000	Defined retirement benefits HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
<b>2019</b>							
<b>Beginning of financial year</b>	46,800	56,489	1,524	1,350	89	(18,159)	88,093
Profit for the year	-	-	-	-	-	12,633	12,633
Other comprehensive income/ (loss) for the year	-	-	1,979	-	(4,040)	-	(2,061)
<b>Total comprehensive income/ (loss) for the year</b>	-	-	1,979	-	(4,040)	12,633	10,572
FY2018 final dividends paid	-	-	-	-	-	(1,860)	(1,860)
<b>End of financial year</b>	<b>46,800</b>	<b>56,489</b>	<b>3,503</b>	<b>1,350</b>	<b>(3,951)</b>	<b>(7,386)</b>	<b>96,805</b>
<b>2018</b>							
<b>Beginning of financial year</b>	46,800	56,489	4,971	1,330	(7,788)	(20,004)	81,798
Profit for the year	-	-	-	-	-	1,865	1,865
Other comprehensive (loss)/ income for the year	-	-	(3,447)	-	7,877	-	4,430
<b>Total comprehensive (loss)/ income for the year</b>	-	-	(3,447)	-	7,877	1,865	6,295
Transfer from retained profits to other reserves	-	-	-	20	-	(20)	-
<b>End of financial year</b>	<b>46,800</b>	<b>56,489</b>	<b>1,524</b>	<b>1,350</b>	<b>89</b>	<b>(18,159)</b>	<b>88,093</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Group	
		2019 HK\$'000	2018 HK\$'000
<b>Cash flows from operating activities</b>			
Total profit		12,633	1,865
Adjustments for:			
- Income tax expense		4,938	964
- Depreciation of property, plant and equipment		566	470
- Amortisation of intangible assets		4,276	8,104
- Interest income		(18)	(14)
- Loss on disposal of property, plant and equipment		-	8
- Defined retirement benefits expense		830	1,235
		<b>23,225</b>	<b>12,632</b>
Change in working capital:			
- Inventories		(8,019)	(3,862)
- Trade and other receivables		(3,368)	1,158
- Contract assets		(25,204)	6,217
- Refundable deposits		983	16
- Trade and other payables		(2,635)	1,832
- Provision for defined retirement benefits		(707)	(671)
- Contract liabilities		13,607	8,416
Cash (used in)/generated from operations		<b>(2,118)</b>	<b>25,738</b>
Income tax paid		<b>(2,483)</b>	<b>(66)</b>
<b>Net cash (used in)/provided by operating activities</b>		<b>(4,601)</b>	<b>25,672</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment		(578)	(443)
Additions to intangible assets		-	(7,416)
Interest received		18	14
<b>Net cash used in investing activities</b>		<b>(560)</b>	<b>(7,845)</b>
<b>Cash flows from financing activities</b>			
(Increase)/decrease in restricted cash		(4)	745
Dividends paid to equity holders of the Company		(1,860)	-
<b>Cash (used in)/provided by financing activities</b>		<b>(1,864)</b>	<b>745</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,025)</b>	<b>18,572</b>
<b>Cash and cash equivalents</b>			
Beginning of financial year	11	58,619	38,856
Effects of currency translation on cash and cash equivalents		1,147	1,191
<b>End of financial year</b>	11	<b>52,741</b>	<b>58,619</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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") incorporated as an exempt company with limited liability and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") under the Companies Act 1981 of Bermuda. The address of its registered office is 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 principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in Note 16.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) 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.

### 2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 April 2018. These financial statements for the financial year ended 31 March 2019 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 March 2018 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 April 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 March 2019. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Company's and the Group's opening balance sheets under SFRS(I)s have been prepared as at 1 April 2017, which is the Company's and the Group's date of transition to SFRS(I)s.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 April 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 March 2018. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(ii) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 April 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;
- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 March 2018, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

As at 1 April 2017	Note	Reported under SFRS HK\$'000	Effects of applying SFRS(I) 15 HK\$'000	Reported under SFRS(I) HK\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank deposits		41,105	–	41,105
Trade and other receivables		24,594	–	24,594
Unbilled revenue on service contracts	A	19,016	(19,016)	–
Contract assets	A	–	19,016	19,016
Inventories		1,423	–	1,423
Current income tax assets		1,580	–	1,580
		<u>87,718</u>	<u>–</u>	<u>87,718</u>
<b>Non-current assets</b>				
Refundable deposit		1,398	–	1,398
Property, plant and equipment		983	–	983
Intangible assets		15,491	–	15,491
Deferred income tax assets		1,124	–	1,124
		<u>18,996</u>	<u>–</u>	<u>18,996</u>
<b>Total assets</b>		<u>106,714</u>	<u>–</u>	<u>106,714</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		5,629	–	5,629
Advances received from customers	A	3,303	(3,303)	–
Deferred revenue	A	5,327	(5,327)	–
Contract liabilities	A	–	8,630	8,630
Current income tax liabilities		80	–	80
		<u>14,339</u>	<u>–</u>	<u>14,339</u>
<b>Non-current liabilities</b>				
Deferred revenue	A	133	(133)	–
Contract liabilities	A	–	133	133
Provision for defined retirement benefits		10,415	–	10,415
Other payables		29	–	29
		<u>10,577</u>	<u>–</u>	<u>10,577</u>
Total liabilities		<u>24,916</u>	<u>–</u>	<u>24,916</u>
<b>NET ASSETS</b>		<u>81,798</u>	<u>–</u>	<u>81,798</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital		46,800	–	46,800
Share premium		56,489	–	56,489
Foreign currency translation reserve		4,971	–	4,971
Other reserves		1,330	–	1,330
Defined retirement benefits		(7,788)	–	(7,788)
Accumulated losses		(20,004)	–	(20,004)
<b>Total equity</b>		<u>81,798</u>	<u>–</u>	<u>81,798</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued)

	Note	As at 31 March 2018 reported under SFRS HK\$'000	Effects of applying SFRS(I) 15 HK\$'000	As at 31 March 2018 and 1 April 2018 reported under SFRS(I) HK\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank deposits		60,123	–	60,123
Trade and other receivables		21,607	–	21,607
Unbilled revenue on service contracts	A	12,769	(12,769)	–
Contract assets	A	–	12,769	12,769
Inventories		5,285	–	5,285
Current income tax assets		1,566	–	1,566
		<u>101,350</u>	<u>–</u>	<u>101,350</u>
<b>Non-current assets</b>				
Refundable deposits		1,382	–	1,382
Property, plant and equipment		952	–	952
Intangible assets		14,803	–	14,803
Deferred income tax assets		219	–	219
		<u>17,356</u>	<u>–</u>	<u>17,356</u>
<b>Total assets</b>		<u>118,706</u>	<u>–</u>	<u>118,706</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		10,288	–	10,288
Advances received from customers	A	2,488	(2,488)	–
Deferred revenue	A	13,739	(13,739)	–
Contract liabilities	A	–	16,227	16,227
Current income tax liabilities		955	–	955
		<u>27,470</u>	<u>–</u>	<u>27,470</u>
<b>Non-current liabilities</b>				
Deferred revenue	A	952	(952)	–
Contract liabilities	A	–	952	952
Provision for defined retirement benefits		2,099	–	2,099
Other payables		92	–	92
Deferred income tax liabilities		–	–	–
		<u>3,143</u>	<u>–</u>	<u>3,143</u>
Total liabilities		<u>30,613</u>	<u>–</u>	<u>30,613</u>
<b>NET ASSETS</b>		<u>88,093</u>	<u>–</u>	<u>88,093</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital		46,800	–	46,800
Share premium		56,489	–	56,489
Foreign currency translation reserve		1,524	–	1,524
Other reserves		1,350	–	1,350
Defined retirement benefits		89	–	89
Accumulated losses		(18,159)	–	(18,159)
<b>Total equity</b>		<u>88,093</u>	<u>–</u>	<u>88,093</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

- (c) There were no material adjustments to the Group's total comprehensive income arising from the transition from SFRS to SFRS(I).
- (d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).
- (e) The adoption of SFRS(I) has no impact on the Company's and the Group's opening retained earnings on 1 April 2017.

#### A. Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(ii), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 April 2018.

The adoption of SFRS(I) 15 does not have a material impact on the Company's and the Group's financial statements except for the presentation of contract assets and contract liabilities.

Contract assets relating to the provision of IT services were previously presented as "unbilled revenue on service contracts" of HK\$12,769,000 (1 April 2017: HK\$19,016,000) under SFRS.

Contract liabilities in relation to the provision of maintenance and support services and the software licensing (Azeus Products) were previously presented as "advances received from customers" and "deferred revenue" of HK\$2,488,000 and HK\$14,691,000 (1 April 2017: HK\$3,303,000 and HK\$5,460,000) under SFRS.

#### B. Adoption of SFRS(I) 9

As disclosed in Note 2.2(a)(i), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 April 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 March 2018.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9. The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.9.

The adoption of SFRS(I) 9 had no impact on the Company's and the Group's opening retained earnings on 1 April 2018.

#### B1. Classification and measurement of financial assets

For financial assets held by the Group on 1 April 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. The adoption of SFRS(I) 9 did not result in material reclassifications relating to financial assets as at 1 April 2018.

##### (i) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables and contract assets recognised under SFRS(I) 15; and
- loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.9 and Note 28(b).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.3 Revenue

#### (a) Revenue from IT services contracts

A service contract is a contract specifically negotiated for the provision of IT services as required under the relevant contract terms and the contract prices are fixed.

There are three main revenue streams under provision of IT services:

- i) Systems implementation and enhancement
- ii) Sales of hardware and software
- iii) Maintenance and support services

The transaction price is allocated to the respective revenue stream based on a relative stand-alone selling price. Management estimates the stand-alone selling price at contract inception based on prices of the type of hardware likely to be provided and the services rendered in similar circumstances to similar customers.

#### i) System implementation and enhancement

The IT services relating to system implementation and enhancement have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment for performance completed to date arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the systems implementation and enhancement projects.

The measure of progress is determined based on the percentage of actual time costs incurred to date to the estimated total time costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified service contract milestones. A contract asset is recognised when the Group has performed under the contract but is not yet entitled to bill the customer. Conversely, a contract liability is recognised when the payments received from the customer exceeds revenue recognised to date.

An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

#### ii) Sales of hardware and software

Revenue from the sale of hardware and software items is recognised at a point in time when control of the goods has transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

#### iii) Maintenance and support services

Revenue from a contract to provide maintenance services is recognised over time based on the duration of the contract term. Payments received relating to unsatisfied performance obligations are treated as contracts liabilities in the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.3 Revenue (continued)

#### (b) *Product licensing income*

Product licensing income are revenue recorded in relation to Azeus Software Licenses. It pertains to subscription fees charged and implementation services provided. The revenue from implementation works is recognised at a point in time when customer has acknowledged the completion of implementation works. The subscription fee is recognised over time over the duration of the contract beginning on the commencement date of each contract, when service is made available to customers.

The Group generally invoices customers in annual installments. Payment of subscription fee is due within 30 days of the invoice. Payments received relating to unsatisfied performance obligations are treated as current liabilities in the balance sheet.

#### (c) *Interest income*

Interest income is recognised using the effective interest method.

#### (d) *Dividend income*

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

### 2.4 Group accounting

#### (a) *Subsidiaries*

##### (i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

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

##### (ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.4 Group accounting (continued)

(a) *Subsidiaries (continued)*

(ii) *Acquisitions (continued)*

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph 2.7 "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

### 2.5 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

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

(ii) *Components of costs*

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. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

(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:

	<u>Useful lives</u>
Leasehold improvements	3 - 5 years
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 profit or loss when the changes arise.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.5 Property, plant and equipment (continued)

#### (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 entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

#### (d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

### 2.6 Intangible assets

#### *Development of Azeus Products*

Costs directly attributable to the development of Azeus Products ("products") are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the products and the development costs can be measured reliably. Such development costs include payroll related costs of employees directly involved in the project.

Direct expenditures including employee costs, which enhance or extend the performance of the products beyond its specifications and which can be reliably measured, are added to the original cost of the products.

Costs associated with maintaining the products are recognised as an expense when incurred.

The products are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

### 2.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### 2.8 Impairment of non-financial assets

#### *Property, plant and equipment*

#### *Investments in subsidiaries*

#### *Intangible assets*

Property, plant and equipment, investments in subsidiaries and intangible assets 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 the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.8 Impairment of non-financial assets (continued)

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 profit or loss.

An impairment loss for an asset is reversed if, and only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset 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 is recognised in profit or loss.

### 2.9 Financial assets

The accounting for financial assets before 1 April 2018 are as follows:

#### (a) *Classification*

The Group classified its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at its initial recognition.

#### (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 expected to be realised 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", "cash and bank deposits" and "refundable deposits" on the balance sheet.

#### (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 is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

#### (c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.9 Financial assets (continued)

The accounting for financial assets before 1 April 2018 are as follows: (continued)

#### (d) *Subsequent measurement*

Financial assets, available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

#### (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.

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 profit or loss.

The impairment allowance is reduced through profit or loss 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.

#### (f) *Classification and measurement*

The Group classifies and measures its financial assets at amortised cost.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

##### *At initial recognition*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.9 Financial assets (continued)

The accounting for financial assets from 1 April 2018 are as follows: (continued)

(f) *Classification and measurement (continued)*

*At subsequent measurement*

(i) *Debt instruments*

Debt instruments mainly comprise of cash and bank deposits, trade and other receivables.

The Group managed these group of financial assets by collecting the contractual cash flows and these cash flows represent solely payments of principal and interest are measured at amortised cost.

A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(g) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 28 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(h) *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.

### 2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.12 Operating lease payments

*When the Group is the lessee*

The Group leases office premises under operating leases from non-related parties.

Leases 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 profit or loss on a straight-line basis over the period of the lease.

### 2.13 Inventories

Inventories comprise third party hardware and software products to be used in IT projects under the relevant contract terms and are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business.

### 2.14 Income taxes

Current income tax for current and prior periods is recognised at the amount 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, 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.

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 profit or loss, 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.

### 2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.15 Provisions (continued)

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of profit and loss and other comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

### 2.16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, if any. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### 2.17 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### (b) *Pension benefits*

The Group operates both defined contribution retirement benefits and a non-contributory defined benefit plan.

##### *Defined contribution retirement benefits*

The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong. The scheme is funded through payments to trustee administered funds. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group has a defined contribution scheme ("other scheme") in accordance with the local conditions and practices in the province of the People's Republic of China in which they operate. The defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The Group's contributions to the other scheme are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.17 Employee compensation (continued)

#### (b) Pension benefits (continued)

##### Non-contributory defined benefit plan

The Group has a non-contributory defined retirement benefits 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 governed by local regulations and practices and approved by the local management. A defined retirement benefits plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability recognised in the balance sheet in respect of a defined benefits pension plan is the present value of the defined benefits obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefits obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits 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 terms to maturity approximating to the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

#### (c) Share grant

A controlling shareholder has implemented a share grant incentive scheme for certain key employees. Under this incentive, the 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 profit or loss 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.

#### (d) Long service payments

The Group's employees have to complete a required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.17 Employee compensation (continued)

(e) *Bonus plans*

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(f) *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 at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### 2.18 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 ("functional currency"). The financial statements are presented in Hong Kong Dollar, which is the functional currency of the Company.

(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 exchange differences resulting 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 profit or loss. Monetary items included primarily financial assets (other than equity investments), contract assets and financial liabilities.

Foreign exchange gains and losses impacting profit or loss are presented in the statement of profit and loss and other comprehensive income within "other gains/(losses)".

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 2. Significant accounting policies (continued)

### 2.18 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 reporting date;
- (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 other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

### 2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

### 2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

### 2.21 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.

### 2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 3. Critical accounting estimates, assumptions 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.

### (a) *Estimation of total contract costs*

The Group has significant ongoing contracts pertaining to systems implementation and enhancement. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the implementation or enhancement of the IT systems. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of revenue from the provisional of systems implementation and enhancement services. When it is probable that the total contract costs will exceed the total revenue from provision of such services, a provision for onerous contract is recognised immediately.

Significant judgement is used to estimate these total contracts costs to complete. In making these estimates, management has relied on past experience of completed projects and the work of specialists.

As at 31 March 2019, HK\$47.0 million of the Group's contract assets is subject to the estimation of progress towards completion using the input method.

If the estimated total costs for the contract increase/decrease by 5% from management's estimates, the Group's revenue and contract assets will decrease and increase by approximately HK\$2.6 million and HK\$2.9 million respectively.

### (b) *Defined retirement benefits*

The determination of the Group's pension benefit obligation and retirement benefits are dependent on the selection of certain assumptions used by actuaries in calculating such amounts.

The liability recognised in the Group's balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using a selection of assumptions. The assumptions include among others, discount rates and rate of salary increase as described in Note 20.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period when they arise. The experience adjustments are not to be reclassified to profit or loss in a subsequent period.

Past service costs are recognised immediately in profit or loss.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement benefit cost and obligation.

The possible effects of sensitivities surrounding actuarial assumptions at the financial reporting date are presented in Note 20. Other key assumptions for retirement benefit obligation are based on current market conditions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 4. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

2019	At a point in Time HK\$'000	Over Time HK\$'000	Total HK\$'000
<b>IT Services</b>			
Systems implementation and enhancement	–	46,983	46,983
Sales of hardware and software	1,479	–	1,479
Maintenance and support services	–	49,462	49,462
	1,479	96,445	97,924
<b>Azeus Products</b>	<b>7,979</b>	<b>41,931</b>	<b>49,910</b>
	<b>9,458</b>	<b>138,376</b>	<b>147,834</b>
2018	At a point in Time HK\$'000	Over Time HK\$'000	Total HK\$'000
<b>IT Services</b>			
Systems implementation and enhancement	–	31,595	31,595
Sales of hardware and software	338	–	338
Maintenance and support services	–	46,023	46,023
	338	77,618	77,956
<b>Azeus Products</b>	<b>2,897</b>	<b>21,507</b>	<b>24,404</b>
	<b>3,235</b>	<b>99,125</b>	<b>102,360</b>

Contract assets and liabilities for IT services and Azeus Products are disclosed in Note 14. The breakdown of the Group's revenue by geographical regions are disclosed in Note 31.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 5. Expenses by nature

	Group	
	2019 HK\$'000	2018 HK\$'000
Depreciation of property, plant and equipment (Note 17)	566	470
Amortisation of intangible assets (Note 18)	4,276	8,104
Employee compensation* (Note 6)	82,957	70,227
Rental expense on operating leases	6,474	6,350
Legal and professional fees	1,990	2,511
Third party hardware and software support cost	5,843	6,064
Sub-contracting fee	1,736	767
Third party hardware and software (Note 15)	1,463	279
Insurance	1,718	1,587
Fee on audit services	1,629	1,383
Hosting costs	4,811	2,405
Utilities	1,603	1,523
Marketing activities expense	4,267	3,729
Sales commission	1,700	484
Other expenses	5,896	4,841
Total cost of sales, selling and marketing and administrative expenses	<b>126,929</b>	<b>110,724</b>

\* Management restated 2018 comparatives for employee compensation and other expenses in relation to the capitalisation of intangible assets amounting to HK\$7,416,000. There is no change to the presentation in statement of profit and loss and other comprehensive Income.

## 6. Employee compensation

	Group	
	2019 HK\$'000	2018 HK\$'000
Wages and salaries	76,058	71,987
Employer's contribution to defined contribution plans	6,166	5,000
Defined retirement benefits expenses (Note 20)	830	1,235
Recovery of provision for long-service leave payment (Write-back)/provision of unutilised leave	-	(616)
	<b>(97)</b>	<b>37</b>
	<b>82,957</b>	<b>77,643</b>
Amounts capitalised as Intangible Asset (Note 18)	-	(7,416)
	<b>82,957</b>	<b>70,227</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 7. Other income

	Group	
	2019 HK\$'000	2018 HK\$'000
Maintenance fee compensation	–	7,254
Interest income from bank deposits	18	14
Sundry income	73	490
	<b>91</b>	<b>7,758</b>

During the financial year ended 31 March 2018, the Group received a maintenance service fee compensation of HK\$7.3 million in FY2018 for a dispute with a customer.

## 8. Other (losses)/gains

	Group	
	2019 HK\$'000	2018 HK\$'000
Currency exchange (losses)/gains - net	<b>(2,879)</b>	4,546

## 9. Income taxes

(a) Income tax expense

	Group	
	2019 HK\$'000	2018 HK\$'000
Tax expense attributable to profit is made up of:		
- Current income tax	3,920	714
- Deferred income tax (credit)/charge (Note 21)	(21)	16
	<b>3,899</b>	730
Under provision in prior financial years:		
- Current income tax	287	–
Withholding tax	752	234
	<b>4,938</b>	964

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 9. Income taxes (continued)

### (a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit or loss of the consolidated companies is as explained below:

	Group	
	2019 HK\$'000	2018 HK\$'000
Profit before tax from	17,571	2,829
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	4,284	2,694
Effects of:		
- tax concession	(165)	-
- expenses not deductible for tax purposes	476	-
- income not subject to tax	(465)	(741)
- deferred tax assets not recognised	280	569
- temporary differences not recognised	(56)	15
- utilisation of previously unrecognised tax losses	(455)	(1,807)
- withholding tax	752	234
- under provision of tax in prior financial years	287	-
Tax charge	<b>4,938</b>	964

The weighted average applicable tax rate was 17.2% (2018: 16.6%).

### (b) Movements in current income tax liabilities/(assets) - net

	Group	
	2019 HK\$'000	2018 HK\$'000
Beginning of financial year	(611)	(1,500)
Currency translation difference	(50)	7
Income tax paid	(2,483)	(66)
Tax expense	4,672	948
Under provision in prior financial years	287	-
End of financial year	<b>1,815</b>	(611)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 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	
	2019	2018
Net profit attributable to equity holders of the Company (HK\$'000)	<b>12,633</b>	1,865
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<b>30,000</b>	30,000
Basic earnings per share (HK cents per share)	<b>42.11</b>	6.22
Diluted earnings per share (HK cents per share)	<b>42.11</b>	6.22

Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares as at 31 March 2019 and 31 March 2018.

## 11. Cash and bank deposits

	Group			Company		
	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000
Cash at bank and on hand	<b>52,741</b>	58,619	38,856	<b>774</b>	3,054	644
Short-term bank deposits	<b>1,508</b>	1,504	2,249	–	–	–
	<b>54,249</b>	60,123	41,105	<b>774</b>	3,054	644

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

Cash and bank deposits (as above)	<b>54,249</b>	60,123	41,105	<b>774</b>	3,054	644
Less: Restricted cash	<b>1,508</b>	1,504	2,249	–	–	–
Cash and cash equivalents per consolidated statement of cash flows	<b>52,741</b>	58,619	38,856	<b>774</b>	3,054	644

As at 31 March 2019, included in cash and bank deposits were bank deposits amounting to HK\$1,508,000 (31 March 2018: HK\$1,504,000, 1 April 2017: HK\$ 2,249,000) which were not freely available for use by the Group as they have been pledged as securities for the performance bonds and the bank guarantees issued by the banks on behalf of the Group.

Short-term bank deposits at the balance sheet date had an average maturity of 91 days (31 March 2018: 60 days, 1 April 2017: 84 days) from the end of the financial year with the following weighted average effective interest rates per annum:

	Group		
	31 March 2019 %	31 March 2018 %	1 April 2017 %
Hong Kong Dollar	<b>0.30</b>	0.20	0.30

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 12. Trade and other receivables

	Group			Company		
	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000
Trade receivables						
- Non-related parties	13,474	11,689	15,953	-	-	-
Amount due from subsidiaries						
- Non-trade (Note 13)	-	-	-	60,036	46,208	51,915
Prepayments	3,682	3,633	4,223	274	385	435
Other receivables and deposits	7,953	6,285	4,418	-	-	-
	<b>25,109</b>	<b>21,607</b>	<b>24,594</b>	<b>60,310</b>	<b>46,593</b>	<b>52,350</b>

## 13. Amounts due from/to subsidiaries

The non-trade amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

## 14. Contract assets and liabilities

	Group		
	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000
<i>Contract assets</i>			
IT service systems implementation and enhancement	38,117	13,363	18,934
Currency translation difference	3	(450)	226
	<b>38,120</b>	<b>12,913</b>	<b>19,160</b>
Less: Loss allowance	(144)	(144)	(144)
Total contract assets	<b>37,976</b>	<b>12,769</b>	<b>19,016</b>
<i>Contract liabilities</i>			
Azeus Products	27,555	14,691	5,460
IT service maintenance and support services	2,728	2,488	3,303
Total contract liabilities	<b>30,283</b>	<b>17,179</b>	<b>8,763</b>

Contract assets relate to fixed price IT services contracts. The contract assets balance increased as more systems implementation and enhancement service revenue were recognised near the financial year ended 31 March 2019 but have not reached the relevant payment milestones.

Contract liabilities primarily consist payments received in advance for the Azeus Product subscription fees and IT service maintenance and support services respectively. Contract liabilities has increased due to increase in product sales and more collections from subscription agreements of Azeus Products, which were entered into near the financial year ended 31 March 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 14. Contract assets and liabilities (continued)

### (i) Revenue recognised in relation to contract liabilities

	Group	
	2019 HK\$'000	2018 HK\$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- IT service maintenance and support service contracts	2,488	3,303
- Azeus Product	13,739	5,327
Revenue recognised in current period from performance obligations satisfied in previous periods	-	-

### (ii) Unsatisfied performance obligations

	Group		
	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 March			
- IT service contracts	28,092	-*	-*
- Azeus Product	13,022	-*	-*
	<b>41,114</b>	-*	-*

\* As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 March 2018 and 1 April 2017 is not disclosed.

Management expects that approximately 95.01% of the transaction price allocated to the unsatisfied performance obligations as of 31 March 2019 may be recognised as revenue during the next reporting period (HK\$28,773,000). The remaining amount of HK\$1,510,000 may be recognised in the financial year ending 31 March 2021. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

## 15. Inventories

	Group		
	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000
Project hardware and software	13,304	5,285	1,423

The cost of inventories used for IT services rendered during the year recognised as an expense and included in "cost of sales" amounts to HK\$1,463,000 (2018: HK\$279,000) (Note 5).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 16. Investments in subsidiaries

	Company	
	31 March 2019 HK\$'000	31 March 2018 HK\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	54,612	54,510
Additions	*	102
	<b>54,612</b>	<b>54,612</b>
<i>Allowance for impairment</i>		
Beginning of financial year	(4,145)	(4,124)
Allowance made	(184)	(21)
	<b>(4,329)</b>	<b>(4,145)</b>
End of financial year	<b>50,283</b>	<b>50,467</b>

\* Amount below HK\$1,000

An allowance for impairment of HK\$184,000 (31 March 2018: HK\$21,000) was recognised for a dormant subsidiary based on its recoverable amounts, 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.

The Group had the following subsidiaries as at 31 March 2019, 2018 and 1 April 2017:

Name of subsidiaries	Country of business/ incorporation	Principal activities	Equity holding		
			31 March 2019 %	31 March 2018 %	1 April 2017 %
<u>Held by the Company</u>					
Azeus Systems Limited <sup>(a)</sup>	Hong Kong	Provision of IT service and software licensing	100	100	100
Azeus Systems Manila BVI Ltd. <sup>(b)</sup>	British Virgin Islands	Investment holding	100	100	100
Azeus UK Limited <sup>(c)</sup>	United Kingdom	Provision of IT service and software licensing	100	100	100
Convene SG Pte Ltd (formerly known as BIGontheNet Pte Ltd) <sup>(b)</sup>	Singapore	Dormant	100	100	100
Convene Pty Ltd (formerly known as Azeus Pty Ltd) <sup>(d)</sup>	Australia	Provision of IT service and software licensing	100	100	100
Convene Malaysia Sdn Bhd (formerly known as Azeus Convene Malaysia Sdn Bhd) <sup>(e)</sup>	Malaysia	Provision of IT service and software licensing	100	100	100
Azeus Convene (BVI) Limited <sup>(b)</sup>	British Virgin Islands	Investment holding	100	100	100
Convene, Inc <sup>(b)</sup>	United States of America	Provision of IT service and software licensing	100	100	100

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 16. Investments in subsidiaries (continued)

Name of subsidiaries	Country of business/ incorporation	Principal activities	Equity holding		
			31 March 2019 %	31 March 2018 %	1 April 2017 %
<u>Held by the subsidiaries</u>					
Azeus Systems Philippines, Inc. <sup>(b)</sup>	Philippines	Dormant	100	100	100
Azeus Systems Philippines Limited <sup>(f)</sup>	Philippines	Software development	100	100	100
Azeus Systems (Dalian) Co., Ltd <sup>(g)</sup>	People's Republic of China	Software development	100	100	100
Convene UK Limited <sup>(b)</sup>	United Kingdom	Investment holding	100	100	–
Convene Hong Kong Limited <sup>(b)</sup>	Hong Kong	Investment holding	100	100	–
Convene DWC LLC <sup>(b)</sup>	Dubai	Provision of IT service and software licensing	100	100	–
Convene India Private Limited <sup>(b)</sup>	India	Provision of IT service and software licensing	100	100	–

(a) Audited by PricewaterhouseCoopers, Hong Kong.

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

(c) Audited by WellDen Turnbull LLP, United Kingdom.

(d) Audited by Ty Sam & Associates Pty Ltd.

(e) Audited by K.W.Ong & Partners, Malaysia.

(f) Azeus Systems Philippines Limited is a branch of Azeus Systems Manila BVI Ltd., registered in the Philippines, and is audited by Isla Lipana & Co., the Philippines member firm of PricewaterhouseCoopers International Limited.

(g) Financial year ends on 31 December and audited by Dalian Mingyike Certified Public Accountants Co., Ltd, an audit firm in the People's Republic of China ("PRC"). There were no significant transactions or events occurring during the period 1 January 2019 to 31 March 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 17. Property, plant and equipment

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<u>Group</u>					
<b>2019</b>					
<u>Cost</u>					
Beginning of financial year	1,006	1,447	588	4,121	7,162
Additions	344	62	19	153	578
Currency translation differences	(10)	(10)	(6)	(36)	(62)
End of financial year	1,340	1,499	601	4,238	7,678
<u>Accumulated depreciation</u>					
Beginning of financial year	838	1,427	413	3,532	6,210
Depreciation charge (Note 5)	174	15	72	305	566
Currency translation differences	(8)	(9)	(4)	(31)	(52)
End of financial year	1,004	1,433	481	3,806	6,724
<b>Net book value</b>					
End of financial year	336	66	120	432	954
<b>2018</b>					
<u>Cost</u>					
Beginning of financial year	969	1,458	603	3,720	6,750
Additions	63	8	1	371	443
Write-off	–	(18)	–	(27)	(45)
Currency translation differences	(26)	(1)	(16)	57	14
End of financial year	1,006	1,447	588	4,121	7,162
<u>Accumulated depreciation</u>					
Beginning of financial year	786	1,431	324	3,226	5,767
Depreciation charge (Note 5)	74	10	100	286	470
Write-off	–	(11)	–	(26)	(37)
Currency translation differences	(22)	(3)	(11)	46	10
End of financial year	838	1,427	413	3,532	6,210
<b>Net book value</b>					
End of financial year	168	20	175	589	952

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 18. Intangible assets

### Azeus Products

	Group	
	2019 HK\$'000	2018 HK\$'000
<i>Cost</i>		
Beginning of financial year	36,719	29,303
Additions	–	7,416
Write-off	(10,054)	–
End of financial year	<b>26,665</b>	36,719
<i>Accumulated amortisation</i>		
Beginning of financial year	21,916	13,812
Amortisation charge	4,276	8,104
Write-off	(10,054)	–
End of financial year	<b>16,138</b>	21,916
<b>Net book value</b>	<b>10,527</b>	14,803

Amortisation expense included in the statement of profit and loss and other comprehensive income is analysed as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
Cost of sales (Note 5)	<b>4,276</b>	8,104

Intangible asset relates to the development costs for the Azeus Products of the Group.

## 19. Trade and other payables

	Group			Company		
	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000
<i>Current</i>						
Trade payables						
- non-related parties	2,719	6,692	1,358	–	–	–
Amount due to subsidiaries						
- non-trade (Note 13)	–	–	–	104	104	104
Other accruals for operating expenses	4,924	3,596	4,271	1,203	1,353	1,153
	<b>7,643</b>	10,288	5,629	<b>1,307</b>	1,457	1,257
<i>Non-current</i>						
Other payables	–	92	29	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 20. Provision for defined retirement benefits

The Group has a non-contributory defined retirement benefits plan (the "Plan") covering substantially all its qualified employees in the Philippines. The fund is administered by a trustee bank, governed by local regulations and practices and approved by the local management. 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 amounts recognised in the balance sheets are determined as follows:

	<b>Group</b>		
	<b>31 March 2019</b>	31 March 2018	1 April 2017
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Present value of funded benefit obligations	<b>15,230</b>	9,793	17,610
Fair value of plan assets	<b>(8,533)</b>	(7,694)	(7,195)
Retirement benefit obligation	<b>6,697</b>	2,099	10,415

The movements in the retirement benefit obligation are as follows:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Beginning of financial year	<b>2,099</b>	10,415
Currency translation differences	<b>(13)</b>	(128)
Charged to profit or loss (Note 6)	<b>830</b>	1,235
Remeasurements		
- Losses from return on plan assets	<b>357</b>	385
- Gains from change in demographic assumptions	<b>(1,470)</b>	(618)
- Losses/(gains) from change in financial assumptions	<b>3,920</b>	(8,855)
- Experience losses	<b>1,681</b>	336
Debited/(credited) to other comprehensive income	<b>4,488</b>	(8,752)
Contributions paid	<b>(707)</b>	(671)
End of financial year	<b>6,697</b>	2,099

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 20. Provision for defined retirement benefits (continued)

The movements in the present value of retirement benefit obligation are as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
Beginning of financial year	9,793	17,610
Currency translation differences	(92)	(336)
Interest cost	691	985
Current service cost	707	671
Actuarial losses/(gains)	4,131	(9,137)
- Changes in financial assumptions	3,920	(8,855)
- Changes in demographic assumptions	(1,470)	(618)
- Experience	1,681	336
End of financial year	<b>15,230</b>	<b>9,793</b>

The movements in the fair value of plan assets are as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
Beginning of financial year	7,694	7,195
Currency translation differences	(79)	(208)
Interest income	568	421
Contributions paid	707	671
Actuarial losses on return on plan assets	(357)	(385)
End of financial year	<b>8,533</b>	<b>7,694</b>

The Group's retirement plan assets consist of:

	Group		
	31 March 2019	31 March 2018	1 April 2017
Debt securities	80%	72%	69%
Cash and cash equivalents	20%	28%	30%
Others	*	*	1%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Less than 1%

Investment in debt securities consists of investment in corporate bonds, retail treasury bonds issued by the Philippine government through the Bureau of Treasury, unsecured subordinated debts and long term notes on time deposits.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 20. Provision for defined retirement benefits (continued)

The amounts recognised in profit or loss are as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
Current service cost	707	671
Interest cost	691	985
Interest income	(568)	(421)
Included in "Employee compensation" (Note 6)	<b>830</b>	1,235

The principal actuarial assumptions used were as follows:

	Group		
	31 March 2019	31 March 2018	1 April 2017
Discount rate	7%	7%	6%
Future salary increases	6%	5%	7%
Average remaining working life in years	27.6	27.9	28.4
Average years of past service	<b>10.1</b>	9.9	9.5

The discount rate assumption is based on the spot yield curve calculated from the PDEX (PDSI/T-R2) market yields by stripping the coupons from government bonds to create virtual zero coupon bonds as of 9 March 2019 and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	2%	Decrease by 16%	Increase by 20%
Salary growth rate	2%	Increase by 19%	Decrease by 16%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the retirement benefit obligation recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 21. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset 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		
	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000
<b>Deferred income tax assets:</b>			
- to be recovered within one year	10	1	92
- to be recovered after one year	679	218	1,032
	<b>689</b>	219	1,124

Movement in deferred income tax account is as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
Beginning of financial year	219	1,124
Actuarial losses/(gains) on defined retirement benefits	448	(875)
Currency translation differences	1	(14)
Tax credited/(charged) to profit or loss (Note 9)	21	(16)
End of financial year	<b>689</b>	219

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 has unrecognised tax losses of HK\$36,781,000 (31 March 2018: HK\$37,956,000, 1 April 2017: HK\$45,255,000) 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 those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 21. Deferred income taxes (continued)

The movement in deferred income tax assets is as follows:

Group

*Deferred income tax assets*

	Retirement benefits HK\$'000	Other HK\$'000	Total HK\$'000
<b>2019</b>			
Beginning of financial year	210	9	219
Actuarial losses on defined retirement benefits	448	–	448
Currency translation differences	(10)	11	1
Credited to profit or loss	21	–	21
End of financial year	<b>669</b>	<b>20</b>	<b>689</b>
<b>2018</b>			
Beginning of financial year	1,010	114	1,124
Actuarial gains on defined retirement benefits	(875)	–	(875)
Currency translation differences	91	(105)	(14)
Charged to profit or loss	(16)	–	(16)
End of financial year	<b>210</b>	<b>9</b>	<b>219</b>

## 22. Share capital

	No. of ordinary shares		Amount	
	Issued share capital 2019 '000	Issued share capital 2018 '000	Share capital 2019 HK\$'000	Share capital 2018 HK\$'000
<u>Group and Company</u>				
Beginning and end of financial year	<b>30,000</b>	30,000	<b>46,800</b>	46,800

All issued ordinary shares are fully paid. The par value is US\$0.20 (31 March 2018: US\$0.20, 1 April 2017: US\$0.20) per share.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 23. Share premium and other reserves

	Group			Company		
	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000	31 March 2019 HK\$'000	31 March 2018 HK\$'000	1 April 2017 HK\$'000
Share premium	<b>56,489</b>	56,489	56,489	<b>56,726</b>	56,726	56,726
<i>Other reserves</i>						
Employee share-based payment reserve	<b>1,328</b>	1,328	1,328	-	-	-
Statutory reserve	<b>22</b>	22	2	-	-	-
	<b>1,350</b>	1,350	1,330	-	-	-

Share premium pertains to the premium paid by shareholders which is above the par value. Lower share premium at the Group level due to the adjustments arising from the restructuring exercise during the financial year ended 31 March 2005 represents the excess of the nominal value of the shares issued by the Company over the nominal value of the shares acquired in exchange for those shares, accounted for using the pooling-of-interest method.

Employee share-based payment reserve relates to the Azeus Employee Share Option Scheme (the "Scheme"), which was approved by the shareholders of the Company.

Statutory reserve represents the appropriations made in accordance with the PRC laws for PRC subsidiary. This reserve is made out of profit after tax as recorded in the statutory financial statements. The appropriation to the reserve shall be no less than 10% of net profit and appropriation may cease when the fund reaches 50% of the registered capital.

## 24. Retained profits / (accumulated losses)

Movement in retained profits / (accumulated losses) for the Company is as follows:

	Company	
	2019 HK\$'000	2018 HK\$'000
Beginning of financial year	<b>(4,869)</b>	(1,403)
Net income/(loss)	<b>13,263</b>	(3,466)
Dividends paid (Note 25)	<b>(1,860)</b>	-
End of financial year	<b>6,534</b>	(4,869)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 25. Dividends

	<b>Group and Company</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<i>Ordinary dividends paid</i>		
Final dividend paid in respect of the previous financial year of HK\$6.2 cents (2018: nil) per share	<b>1,860</b>	–

At the Annual General Meeting on 4 July 2019, a final dividend of 21.0 Hong Kong cents per share amounting to a total of HK\$6,300,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2020.

## 26. Banker's Guarantee

At 31 March 2019, there were performance bonds amounting to HK\$1,436,000 (31 March 2018: HK\$1,366,000, 1 April 2017: HK\$2,197,000) issued by the banks on behalf of the Group.

## 27. Commitments

### *Operating lease commitments*

The Group leases office premises from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses 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:

	<b>Group</b>		
	<b>31 March 2019</b>	31 March 2018	1 April 2017
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Not later than one year	<b>3,831</b>	5,557	4,472
Between one and five years	<b>5,235</b>	8,594	5,674
	<b>9,066</b>	14,151	10,146

## 28. 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 any 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

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 since the previous financial year.

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

(a) Market risk

(i) Currency risk

The Group operates in United States of America ("USA"), the United Kingdom ("UK"), Europe and Asia with dominant operations in Hong Kong and the United Kingdom. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as United States Dollar ("USD"), Singapore Dollar ("SGD") and Great Britain Pound ("GBP"). In addition, the Group is exposed to currency translation risk on the net assets/liabilities 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:

	Group				
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Others HK\$'000
<b>31 March 2019</b>					
<b>Financial assets</b>					
Cash and bank deposits	13,465	8,783	2,105	12,946	16,950
Contract assets	37,976	–	–	–	–
Trade and other receivables	7,062	6,204	19	2,834	5,308
Refundable deposits	–	–	–	–	435
Receivables from subsidiaries	81,051	1,473	–	25,914	4,098
	<u>139,554</u>	<u>16,460</u>	<u>2,124</u>	<u>41,694</u>	<u>26,791</u>
<b>Financial liabilities</b>					
Other financial liabilities	(2,125)	(652)	(1,153)	(1,956)	(1,757)
Payables to subsidiaries	(81,051)	(1,473)	–	(25,914)	(4,098)
	<u>(83,176)</u>	<u>(2,125)</u>	<u>(1,153)</u>	<u>(27,870)</u>	<u>(5,855)</u>
<b>Net financial assets</b>	<u>56,378</u>	<u>14,335</u>	<u>971</u>	<u>13,824</u>	<u>20,936</u>
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	<u>(56,326)</u>	<u>(5,994)</u>	<u>–</u>	<u>19,261</u>	<u>(14,006)</u>
<b>Currency exposure on financial assets denominated in the respective entities' functional currencies</b>	<u>52</u>	<u>8,341</u>	<u>971</u>	<u>33,085</u>	<u>6,930</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Group				
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Others HK\$'000
<b>31 March 2018</b>					
<b>Financial assets</b>					
Cash and bank deposits	36,432	6,152	2,838	4,207	10,494
Contract assets	12,289	–	–	480	–
Trade and other receivables	10,300	1,134	–	3,892	2,648
Refundable deposits	980	–	–	–	402
Receivables from subsidiaries	58,766	1,100	–	32,782	2,013
	<u>118,767</u>	<u>8,386</u>	<u>2,838</u>	<u>41,361</u>	<u>15,557</u>
<b>Financial liabilities</b>					
Other financial liabilities	(5,107)	(1,228)	(1,237)	(1,302)	(1,506)
Payables to subsidiaries	(58,766)	(1,100)	–	(32,782)	(2,013)
	<u>(63,873)</u>	<u>(2,328)</u>	<u>(1,237)</u>	<u>(34,084)</u>	<u>(3,519)</u>
<b>Net financial assets</b>	<u>54,894</u>	<u>6,058</u>	<u>1,601</u>	<u>7,277</u>	<u>12,038</u>
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	<u>(54,900)</u>	<u>(2,503)</u>	<u>–</u>	<u>26,801</u>	<u>(9,123)</u>
<b>Currency exposure on financial (liabilities)/assets denominated in the respective entities' functional currencies</b>	<u>(6)</u>	<u>3,555</u>	<u>1,601</u>	<u>34,078</u>	<u>2,915</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Group				
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Others HK\$'000
<b>1 April 2017</b>					
<b>Financial assets</b>					
Cash and bank deposits	23,134	3,025	443	9,423	5,080
Contract assets	18,000	222	–	794	–
Trade and other receivables	12,176	873	–	4,771	2,551
Refundable deposits	979	–	–	–	419
Receivables from subsidiaries	53,633	661	–	36,795	214
	<u>107,922</u>	<u>4,781</u>	<u>443</u>	<u>51,783</u>	<u>8,264</u>
<b>Financial liabilities</b>					
Other financial liabilities	(1,985)	(688)	(1,037)	(911)	(1,037)
Payables to subsidiaries	(53,633)	(661)	–	(36,795)	(214)
	<u>(55,618)</u>	<u>(1,349)</u>	<u>(1,037)</u>	<u>(37,706)</u>	<u>(1,251)</u>
<b>Net financial assets</b>	<u>52,304</u>	<u>3,432</u>	<u>(594)</u>	<u>14,077</u>	<u>7,013</u>
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(52,291)	181	–	23,182	(5,934)
<b>Currency exposure on financial (liabilities)/assets denominated in the respective entities' functional currencies</b>	<u>13</u>	<u>3,613</u>	<u>(594)</u>	<u>37,259</u>	<u>1,079</u>

As at 31 March 2019, 31 March 2018 and 1 April 2017, the net financial assets/(liabilities) denominated in a currency other than the respective functional currencies of the Group entities are mainly in USD, SGD and GBP. Since HKD is pegged to USD, no significant change in the net financial assets/(liabilities) position is expected from any changes on the exchange rate between the HKD and USD at the Group and Company level.

At 31 March 2019, if the GBP had strengthened/weakened by 6% (31 March 2018: 4%, 1 April 2017: 5%) against the HKD with all other variables including tax rate being held constant, the profit after tax of the Group would have been higher/lower by HK\$1.6 million (31 March 2018: lower/higher by HK\$0.7 million, 1 April 2017: lower/higher by HK\$0.4 million) as a result of currency translation losses/gains on the remaining GBP-denominated financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	Company				
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Others HK\$'000
<b>31 March 2019</b>					
<b>Financial assets</b>					
Cash and bank deposits	14	59	460	172	69
Trade and other receivables	60,036	–	–	–	–
	<u>60,050</u>	<u>59</u>	<u>460</u>	<u>172</u>	<u>69</u>
<b>Financial liabilities</b>					
Other financial liabilities	(154)	–	(1,153)	–	–
<b>Net financial assets</b>	<u>59,896</u>	<u>59</u>	<u>(693)</u>	<u>172</u>	<u>69</u>
Less: Net financial assets denominated in the Company's functional currency	(59,896)	–	–	–	–
<b>Currency exposure on financial assets / (liabilities) net of those denominated in the Company's functional currency</b>	<u>–</u>	<u>59</u>	<u>(693)</u>	<u>172</u>	<u>69</u>
<b>31 March 2018</b>					
<b>Financial assets</b>					
Cash and bank deposits	16	59	2,720	185	74
Trade and other receivables	46,208	–	–	–	–
	<u>46,224</u>	<u>59</u>	<u>2,720</u>	<u>185</u>	<u>74</u>
<b>Financial liabilities</b>					
Other financial liabilities	(219)	–	(1,238)	–	–
<b>Net financial assets</b>	<u>46,005</u>	<u>59</u>	<u>1,482</u>	<u>185</u>	<u>74</u>
Less: Net financial assets denominated in the Company's functional currency	(46,005)	–	–	–	–
<b>Currency exposure on financial assets net of those denominated in the Company's functional currency</b>	<u>–</u>	<u>59</u>	<u>1,482</u>	<u>185</u>	<u>74</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

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

	Company				
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Others HK\$'000
<b>1 April 2017</b>					
<b>Financial assets</b>					
Cash and bank deposits	19	58	331	163	73
Trade and other receivables	51,915	–	–	–	–
	51,934	58	331	163	73
<b>Financial liabilities</b>					
Other financial liabilities	(219)	–	(1,038)	–	–
Net financial assets	51,175	58	(707)	163	73
Less: Net financial assets denominated in the Company's functional currency	(51,715)	–	–	–	–
<b>Currency exposure on financial assets / (liabilities) net of those denominated in the Company's functional currency</b>	<b>–</b>	<b>58</b>	<b>(707)</b>	<b>163</b>	<b>73</b>

Management is of the view that the impact of the sensitivity analysis of SGD and GBP against the HKD is not significant at the Company level.

#### (ii) Cash flow and fair value interest rate risk

As at 31 March 2019 and 2018 and 1 April 2017, the Group and Company have insignificant financial assets or liabilities that are exposed to interest rate risks.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

### (b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of assets of the Group and of the Company subject to credit risk are bank deposits, trade and receivables, and contract assets. For these assets, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counter parties. Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

### (b) Credit risk (continued)

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

As the Group and the Company do 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 movements in credit loss allowance are as follows:

Group	Trade receivables HK\$'000	Contract assets HK\$'000	Total HK\$'000
<b>Balance at 1 April 2018 under SFRS and SFRS(1)9</b>	396	144	540
Loss allowance recognised in profit or loss during the financial year on:			
- Changes in credit risk	546	–	546
<b>Balance at 31 March 2019</b>	942	144	1,086

Cash and bank deposits, other receivables and refundable deposits are subject to immaterial credit loss.

Management has assessed that the non-trade receivables due from subsidiary at Company level is subjected to immaterial credit loss.

### (i) Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 365 days past due. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

### (b) Credit risk (continued)

#### (i) Trade receivables and contract assets (continued)

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 March 2019 and 1 April 2018 are set out in the provision matrix as follows:

Group	← Past due →					Total HK\$'000
	Current HK\$'000	Within 30 days HK\$'000	30 to 60 days HK\$'000	60 to 90 days HK\$'000	More than 90 days HK\$'000	
As at 31 March 2019						
<b>IT services</b>						
Contract assets	38,120	–	–	–	–	38,120
Loss allowance	(144)	–	–	–	–	(144)
	37,976	–	–	–	–	37,976
Trade receivables	368	363	230	84	–	1,045
Loss allowance	–	–	–	–	–	–
	368	363	230	84	–	1,045
<b>Azeus Products</b>						
Trade receivables	3,134	3,302	1,645	871	4,419	13,371
Loss allowance	–	–	–	–	(942)	(942)
	3,134	3,302	1,645	871	3,477	12,429
As at 1 April 2018						
<b>IT services</b>						
Contract assets	12,913	–	–	–	–	12,913
Loss allowance	(144)	–	–	–	–	(144)
	12,769	–	–	–	–	12,769
Trade receivables	6,142	1,352	–	–	–	7,494
Loss allowance	–	–	–	–	–	–
	6,142	1,352	–	–	–	7,494
<b>Azeus Products</b>						
Trade receivables	2,234	1,007	139	352	859	4,591
Loss allowance	–	–	–	–	(396)	(396)
	2,234	1,007	139	352	463	4,195

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

(b) Credit risk (continued)

### *Previous accounting policy for impairment of trade receivables*

In the prior financial years, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments.

Management assessed that there is no recoverability issue on the non-trade receivables due from subsidiary at the Company level.

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 39 as at 31 March 2018 and 1 April 2017 are set out in the provision matrix as follows:

	← Past due →				Total HK\$'000
	Within 30 days HK\$'000	30 to 60 days HK\$'000	60 to 90 days HK\$'000	More than 90 days HK\$'000	
<b>31 March 2018</b>					
<u>Group</u>					
<b>Trade receivables</b>					
Gross carrying amount:					
- Not past due	–	–	–	–	8,376
- Past due but not impaired	2,359	139	352	463	3,313
- Past due and impaired	–	–	–	396	396
					12,085
Less: Allowance for impairment					(396)
Net carrying amount					<u>11,689</u>
<b>1 April 2017</b>					
<u>Group</u>					
<b>Trade receivables</b>					
Gross carrying amount:					
- Not past due	13,803	–	–	–	13,803
- Past due but not impaired	–	–	1,330	820	2,150
- Past due and impaired	–	–	–	3,323	3,323
					19,276
Less: Allowance for impairment					(3,323)
Net carrying amount					<u>15,953</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 28. Financial risk management (continued)

### (b) Credit risk (continued)

#### ***Financial assets that are neither past due nor impaired***

Financial assets 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 and Company.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 March 2018 and 1 April 2017.

### (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 2019 and 2018 and 1 April 2017, there is no material financial liabilities of the Group and Company that 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 so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

There are no externally imposed capital requirements for the financial years ended 31 March 2019 and 2018.

### (e) Financial instruments by category

The carrying amount of the different categories of financial instruments is disclosed as follows:

	Group HK\$'000	Company HK\$'000
<b>31 March 2019</b>		
Financial assets, at amortised cost	21,862	60,036
Financial liabilities, at amortised cost	7,643	1,307
<b>31 March 2018</b>		
Loans and receivables	19,356	46,208
Financial liabilities, at amortised cost	10,380	1,457
<b>1 April 2017</b>		
Loans and receivables	21,769	51,915
Financial liabilities, at amortised cost	5,658	1,257

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 29. Immediate and ultimate holding corporation

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

## 30. 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) *Sales and purchases of goods and services*

	Group	
	2019 HK\$'000	2018 HK\$'000
Professional fees paid to director of a subsidiary	–	346

(b) *Key management personnel compensation*

Key management personnel compensation is as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
Salaries and other short-term employee benefits	4,589	4,495
Employer's contribution to:		
- defined contribution plans	54	54
- defined retirement benefits	171	301
	<b>4,814</b>	<b>4,850</b>

Included in the above is total compensation to directors of the Company amounting to HK\$1,276,000 (2018: HK\$1,277,000).

## 31. Segmental information

The Executive Committee ("Exco") is the Group's chief operating decision-maker. The Exco comprises the Managing Director, the Executive Director, and the Group Financial Controller. Management has determined the operating segments based on the reports reviewed by the Exco that are used to make strategic decisions, allocate resources, and assess performance.

Because of the significant increase in Azeus Products revenue and its selling and marketing expenses and assets, the Exco considers the Group to have 2 operating segments which are the provision of IT services and sale and licensing of proprietary products ("Azeus Products"). There are 3 major revenue streams under IT Services: Systems implementation and enhancement, sales of hardware and software and maintenance and support services.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 31. Segmental information (continued)

The segment information provided to the Exco for the reportable segments are as follows:

	IT Services		Azeus Products		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue from external customers	97,924	77,956	49,910	24,404	147,834	102,360
Segment results	39,901	28,118	12,689	(10,509)	52,590	17,609
Ammortisation of Intangible assets	-	-	(4,276)	(8,104)	(4,276)	(8,104)
Maintenance service fee compensation	-	7,254	-	-	-	7,254
Additions to Intangible assets	-	-	-	7,416	-	7,416
<b>Unallocated income/(expenses)</b>						
Other income					91	504
Other (losses)/gains					(2,879)	4,546
Depreciation of property, plant and equipment					(566)	(470)
Defined retirement benefit expense					(830)	(1,235)
Directors' compensation					(1,267)	(1,277)
Rental expense on operating lease					(6,474)	(6,350)
Legal and professional fees					(1,990)	(2,511)
Insurance					(1,718)	(1,587)
Fees on audit services					(1,629)	(1,383)
Administrative salaries					(5,932)	(5,833)
Other expenses					(7,549)	(6,438)
Profit before tax					17,571	2,829
Income tax expense					(4,938)	(964)
Profit attributable to equity holders of the Company					12,633	1,865
<b>Assets and liabilities</b>						
Segment assets	56,109	27,645	22,544	20,112	78,653	47,757
Unallocated assets:						
Refundable deposits					435	1,382
Property, plant and equipment					954	952
Deferred income tax assets					689	219
Cash and cash equivalents					54,249	60,123
Other receivables and deposits					7,953	6,285
Prepayments					310	422
Current income tax assets					345	1,566
					64,935	70,949
Total assets					143,588	118,706

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 31. Segmental information (continued)

	IT Services		Azeus Products		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Segment liabilities	<b>3,881</b>	3,002	<b>29,737</b>	15,845	<b>33,618</b>	18,847
Unallocated liabilities:						
Trade and other payables					<b>4,308</b>	8,712
Current income tax liabilities					<b>2,160</b>	955
Provision for defined retirement benefits					<b>6,697</b>	2,099
					<b>13,165</b>	11,766
Total liabilities					<b>46,783</b>	30,613

The revenue from external parties reported to the Exco is measured in a manner consistent with that in the statement of profit and loss and other comprehensive income.

The Exco assesses the performance of the operating segments based on a measure of gross profit less selling and marketing expenses. Assets and liabilities are managed on a group basis and are not allocated to operating segments except for trade receivables, contract assets, intangible assets and contract liabilities, as they cannot be directly attributable to individual segments and it is impractical to arbitrarily allocate them to the segments.

### (a) Revenue from major products and services

Revenue from external customers are derived mainly from the provision of Professional IT Services and Azeus Products. Breakdown of the revenue is as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
IT Services	<b>97,924</b>	77,956
Azeus Products	<b>49,910</b>	24,404
<b>Total</b>	<b>147,834</b>	102,360

### (b) Geographical information

The Group's two business segments operate in the main geographical areas as follows:

	Sales for continuing operations	
	2019 HK\$'000	2018 HK\$'000
Hong Kong	<b>115,720</b>	78,860
United Kingdom	<b>12,810</b>	9,637
Australia	<b>7,259</b>	3,811
New Zealand	<b>994</b>	431
North America	<b>6,191</b>	4,585
Others	<b>4,860</b>	5,036
<b>Total</b>	<b>147,834</b>	102,360

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 31. Segmental information (continued)

(b) Geographical information (continued)

	Non-current assets	
	2019 HK\$'000	2018 HK\$'000
Hong Kong	555	1,539
United Kingdom	40	33
Philippines	780	756
British Virgin Islands	10,527	14,803
Australia	4	6
Middle East	10	-
<b>Total</b>	<b>11,916</b>	<b>17,137</b>

Non-current assets information presented above consists of property, plant and equipment, intangible assets, deferred income tax assets and refundable deposits as presented in the consolidated balance sheet.

## 32. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 April 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK\$9,066,000 (Note 27). Of these commitments, approximately HK\$1,860,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately HK\$5,838,000 on 1 April 2019, lease liabilities of HK\$5,838,000 (after adjustments for prepayments and accrued lease payments recognised). Overall net current assets will be HK\$1,823,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately HK\$276,000 for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately HK\$2,372,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## **33. 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 13 June 2019.

# STATISTICS OF SHAREHOLDINGS

AS AT 31 MAY 2019

AUTHORISED NUMBER OF SHARES	:	40 MILLION SHARES
AUTHORISED SHARE CAPITAL	:	US\$8 MILLION (HK\$62.4 MILLION)
ISSUED AND FULLY PAID-UP CAPITAL	:	US\$6 MILLION (HK\$46.8 MILLION)
NUMBER OF ISSUED SHARES	:	29,999,993 SHARES
NUMBER OF TREASURY SHARES	:	NIL
NUMBER OF SUBSIDIARY HOLDINGS	:	NIL
CLASS OF SHARES	:	ORDINARY SHARE
VOTING RIGHTS	:	ONE VOTE PER SHARE

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.43	100	0.00
100 - 1,000	251	53.63	121,200	0.40
1,001 - 10,000	148	31.62	650,016	2.17
10,001 - 1,000,000	64	13.68	4,496,545	14.99
1,000,001 AND ABOVE	3	0.64	24,732,132	82.44
<b>TOTAL</b>	<b>468</b>	<b>100.00</b>	<b>29,999,993</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MU XIA LTD	15,300,000	51.00
2	LEE WAN LIK	8,032,132	26.77
3	LAM PUI WAN	1,400,000	4.67
4	KHOO TEIK LIANG	559,000	1.86
5	EST OF ONG KIM KIAT, DEC'D	319,000	1.06
6	EST OF LIM CHEE NEO LUCY @CAROL LIM, DEC'D	300,000	1.00
7	DBS NOMINEES (PRIVATE) LIMITED	275,100	0.92
8	LIM & TAN SECURITIES PTE LTD	160,500	0.54
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	146,700	0.49
10	ABN AMRO CLEARING BANK N.V.	142,500	0.48
11	UOB KAY HIAN PRIVATE LIMITED	131,230	0.44
12	CHOOI SIEW THIM	125,100	0.42
13	LIEW KUO HUEI	113,320	0.38
14	LIM GUAN TECK	110,000	0.37
15	THAM WAI FONG	103,700	0.35
16	LAI WENG KAY	100,000	0.33
17	LEONG CHEE KENG	97,890	0.33
18	TING MENG LEONG	94,500	0.32
19	GUOK SING ONG JAMES	92,000	0.31
20	LIM GUAN CHIANG	85,000	0.28
	<b>TOTAL</b>	<b>27,687,672</b>	<b>92.32</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 31 MAY 2019

## SUSTANTIAL SHAREHOLDERS

(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	8,032,132	26.77	15,300,000	51.00
Ms Lam Pui Wan	1,400,000	4.67	15,300,000	51.00
Mu Xia Ltd.	15,300,000	51.00	–	–

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 15,300,000 shares held by Mu Xia Ltd.

## PUBLIC FLOAT

Based on the information available to the Company as at 31 May 2019, 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 Azeus Systems Holdings Ltd. (the “Company”) will be held at Kingfisher Room, Level 4, Grand Copthorne Waterfront Hotel Singapore, 392 Havelock Road, Singapore 169663 on Thursday, 4 July 2019 at 10.00 a.m., to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 March 2019, together with the Directors’ Statement and the Auditor’s Report thereon. **[Resolution 1]**
2. To declare a first and final dividend of 21.0 HK cents per share for the financial year ended 31 March 2019. **[Resolution 2]**
3. To approve the payment of Directors’ Fees of S\$78,000 for the financial year ended 31 March 2019. [2018: S\$78,000] **[Resolution 3]**
4. To re-elect Mr Michael Yap Kiam Siew, a Director retiring pursuant to Bye-law 104 of the Company’s Bye-Laws. [See Explanatory Note (i)] **[Resolution 4]**
5. To re-elect Mr Chan Ching Chuen, a Director retiring pursuant to Bye-law 104 of the Company’s Bye-Laws. [See Explanatory Note (ii)] **[Resolution 5]**
6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorize the Directors to fix their remuneration. **[Resolution 6]**

## AS SPECIAL BUSINESS

To consider and if deemed fit to pass the following Ordinary Resolution with or without modifications:-

### 7. Authority to allot and issue shares

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 and subsidiary holdings) 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 and subsidiary holdings) of the Company;
- (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 and subsidiary holdings) at the time this resolution is passed, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;

# NOTICE OF ANNUAL GENERAL MEETING

- (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 issue, 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 Bye-Laws for the time being of the Company; and
- (iv) (Unless revoked or varied by the Company in a general meeting) such authority 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 (iii)] **[Resolution 7]**

8. To transact any other business that may properly be transacted at an Annual General Meeting.

By Order of the Board

Yap Wai Ming  
Company Secretary  
Singapore, 19 June 2019

## Explanatory Notes

- (i) **Resolution 4**, Mr Michael Yap Kiam Siew, if re-elected, will remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Mr Michael Yap Kiam Siew has no relationship (including immediate family relationships) with the Directors, the Company and the substantial shareholders. The Board considers Mr Michael Yap Kiam Siew to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Key information on Mr Michael Yap Kiam Siew can be found on the Board of Directors section of the Annual Report.
- (ii) **Resolution 5**, Mr Chan Ching Chuen, if re-elected, will remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr Chan Ching Chuen has no relationship (including immediate family relationships) with the Directors, the Company and the substantial shareholders. The Board considers Mr Chan Ching Chuen to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Key information on Mr Chan Ching Chuen can be found on the Board of Directors section of the Annual Report.
- (iii) **Resolution 7**, if passed, will authorize 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 total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), of which up to 20% may be issued other than on a pro-rata basis to the shareholders of the Company.

## 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 Member Proxy Form. 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 Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 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 of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not later than 48 hours before the time set for the holding of the Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Michael Yap Kiam Siew and Mr Chan Ching Chuen are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 4 July 2019 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	<b>Mr Michael Yap Kiam Siew</b>	<b>Mr Chan Ching Chuen</b>
Date of Appointment	14 September 2004	1 February 2008
Date of last re-appointment	10 July 2017	8 July 2016
Age	58	84
Country of principal residence	Singapore	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Michael Yap Kiam Siew as the Lead Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities as Director of the Company.	The re-election of Mr Chan Ching Chuen as the Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc)	Lead Independent Director, Chairman of Remuneration Committee and member of the Audit and Nominating Committees.	Independent Director, Chairman of Nominating Committee and member of the Audit and Remuneration Committees.
Professional qualifications	Bachelor of Science and Master of Science from the University of Maryland, College Park, United States.  Completed the Stanford Executive Program from Stanford University.	Master of Science in Electrical Engineering from Tsing Hua University in 1959 and PhD in 1982 from University of Hong Kong.
Working experience and occupation(s) during the past 10 years	Deputy Chief Executive Officer of the Media Development Authority of Singapore (MDA) until January 2013.  Founder and Chairman of TNB Ventures Pte Ltd and The Co-Foundry Pte Ltd.	Honorary Professor at Hong Kong University's Department of Electrical and Electronics Engineering.
Shareholding interest in the listed issuer and its subsidiaries	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Michael Yap Kiam Siew	Mr Chan Ching Chuen
Conflict of Interests (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
<b>Other Principal Commitments* Including Directorships#</b>		
Past (for the last 5 years)	Advisor, NTU, Singapore Professor (Adj), NUS, Singapore	Founding President of World Electric Vehicle Association (1990).  Past President of Hong Kong Institution of Engineers (1999).  Co-founder of the Institute of Sustainable Energy at the Chinese University of Mining and Technology (2015).  Advisor of the Science and Technology Committee of Macau Special Administrative Region (2017).
Present	Managing Partner, TNB Ventures Pte Ltd	Honorary Professor at Hong Kong University's Department of Electrical and Electronics Engineering. (2002 - present)
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</b>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Michael Yap Kiam Siew	Mr Chan Ching Chuen
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Michael Yap Kiam Siew	Mr Chan Ching Chuen
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-  i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or  iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or  iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere  in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Michael Yap Kiam Siew	Mr Chan Ching Chuen
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
<b>Disclosure applicable to the appointment of Director only</b>		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.



33/F, Cambridge House,  
Taikoo Place, 979 King's Road,  
Quarry Bay, Hong Kong  
Tel: +(852) 2893 3673  
Fax: +(852) 2574 4952  
Website: [www.azeus.com](http://www.azeus.com)

Incorporated in Bermuda on 10 May 2004  
Registration Number: 35312