

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
SIX MONTHS ENDED 30 SEPTEMBER 2022**

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AZEUS SYSTEMS HOLDINGS LTD.
(incorporated in Bermuda on 10 May 2004)
(Registration Number: 35312)

A. Condensed Interim Consolidated Income Statement for the six months ended
30 September 2022
(Expressed in Hong Kong Dollars)

	Note	<u>Group</u>		+ / (-) %
		Unaudited 1H FY2023 (Apr - Sep 22) HK\$'000	Unaudited 1H FY2022 (Apr - Sep 21) HK\$'000	
Revenue	4	116,426	95,435	22
Cost of revenue	5(a)	(31,752)	(31,213)	n/m
Gross profit		84,674	64,222	32
Other income	6	756	132	473
Other losses – net	6	(10,887)	(903)	1,106
Impairment losses of financial assets		(913)	(472)	93
Expenses				
- Research and development expenses	5(a)	(13,596)	(13,802)	n/m
- Selling and marketing expenses	5(a)	(23,910)	(17,860)	34
- Administrative expenses	5(a)	(16,180)	(13,328)	21
- Finance cost – lease interest	10(d)	(83)	(228)	(64)
Profit before income tax		19,861	17,761	12
Income tax credit/(expense)	5(b)	419	(266)	258
Profit attributable to equity holders of the Company		20,280	17,495	16

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B. Condensed Interim Consolidated Statement of Comprehensive Income for the six months ended 30 September 2022
(Expressed in Hong Kong Dollars)

	<u>Group</u>		
	Unaudited 1H FY2023 (Apr – Sep 22) HK\$'000	Unaudited 1H FY2022 (Apr – Sep 21) HK\$'000	+ / (-) %
Profit for the period	20,280	17,495	16
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation losses arising from consolidation	(6,551)	(1,867)	251
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Actuarial gains on defined retirement benefits – net of tax	1,171	260	350
Other comprehensive losses, net of tax	(5,380)	(1,607)	235
Total comprehensive income attributable to equity holders of the Company	14,900	15,888	n/m

Note: n/m = not meaningful

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**C. Condensed Interim Consolidated Statements of Financial Position as at 30
September 2022
(Expressed in Hong Kong Dollars)**

	Note	<u>Group</u>		<u>Company</u>	
		Unaudited 30 Sep 2022 HK\$'000	Audited 31 Mar 2022 HK\$'000	Unaudited 30 Sep 2022 HK\$'000	Audited 31 Mar 2022 HK\$'000
Current assets					
Cash and bank deposits		183,623	201,296	760	526
Trade and other receivables		43,236	36,116	103,269	107,765
Inventories		3,592	-	-	-
Contract assets		23,001	11,010	-	-
Current income tax assets		1,097	336	-	-
		254,549	248,758	104,029	108,291
Non-current assets					
Investment in subsidiaries		-	-	52,991	52,991
Property, plant and equipment	9	1,213	898	-	-
Right-of-use assets	10(a)	1,234	3,623	-	-
Intangible assets	11	137	647	-	-
Deferred income tax assets	12	2,438	1,517	-	-
Refundable deposit		4,163	4,094	-	-
		9,185	10,779	52,991	52,991
Total assets		263,734	259,537	157,020	161,282

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**C. Condensed Interim Consolidated Statements of Financial Position as at 30 September
2022 (Continued)**
(Expressed in Hong Kong Dollars)

	Note	<u>Group</u>		<u>Company</u>	
		Unaudited 30 Sep 2022 HK\$'000	Audited 31 Mar 2022 HK\$'000	Unaudited 30 Sep 2022 HK\$'000	Audited 31 Mar 2022 HK\$'000
Current liabilities					
Trade and other payables		13,558	19,910	493	3,048
Contract liabilities		67,765	67,892	-	-
Lease liabilities	10(c)	1,066	3,509	-	-
Current income tax liabilities		895	1,338	-	-
		83,284	92,649	493	3,048
Non-current liabilities					
Contract liabilities		1,085	1,066	-	-
Lease liabilities	10(c)	368	493	-	-
Provision for defined retirement benefit		9,410	10,642	-	-
		10,863	12,201	-	-
Total liabilities		94,147	104,850	493	3,048
Net assets		169,587	154,687	156,527	158,234
Equity					
Share capital	13	46,800	46,800	46,800	46,800
Share premium		56,489	56,489	56,726	56,726
Foreign currency translation reserve		(3,512)	3,039	-	-
Other reserves		1,750	1,750	-	-
Defined retirement benefits		(4,934)	(6,105)	-	-
Retained profits		72,994	52,714	53,001	54,708
Total Equity		169,587	154,687	156,527	158,234

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D. Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Hong Kong Dollars)

<u>Group</u>	Share Capital HK\$'000	Share Premium HK\$'000	Foreign Currency Translation Reserve HK\$'000	Other Reserves HK\$'000	Defined Retirement Benefits HK\$'000	Retained Profits HK\$'000	Total Equity HK\$'000
Balance as at 1 April 2022	46,800	56,489	3,039	1,750	(6,105)	52,714	154,687
Profit for the period	-	-	-	-	-	20,280	20,280
Other comprehensive (loss) / income	-	-	(6,551)	-	1,171	-	(5,380)
Total comprehensive (loss) / income	-	-	(6,551)	-	1,171	20,280	14,900
Balance as at 30 September 2022	46,800	56,489	(3,512)	1,750	(4,934)	72,994	169,587
Balance as at 1 April 2021	46,800	56,489	4,289	1,589	(6,207)	16,104	119,064
Profit for the period	-	-	-	-	-	17,495	17,495
Other comprehensive (loss) / income	-	-	(1,881)	14	260	-	(1,607)
Total comprehensive (loss) / income	-	-	(1,881)	14	260	17,495	15,888
Balance as at 30 September 2021	46,800	56,489	2,408	1,603	(5,947)	33,599	134,952

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D. Condensed Interim Consolidated Statement of Changes in Equity (Continued)
(Expressed in Hong Kong Dollars)

<u>Company</u>	Share Capital HK\$'000	Share Premium HK\$'000	Retained Profits HK\$'000	Total Equity HK\$'000
Balance as at 1 April 2022	46,800	56,726	54,708	158,234
Total comprehensive loss for the year	-	-	(1,707)	(1,707)
Balance as at 30 September 2022	<u>46,800</u>	<u>56,726</u>	<u>53,001</u>	<u>156,527</u>
Balance as at 1 April 2021	46,800	56,726	12,430	115,956
Total comprehensive loss for the year	-	-	(1,509)	(1,509)
Balance as at 30 September 2021	<u>46,800</u>	<u>56,726</u>	<u>10,921</u>	<u>114,447</u>

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**E. Condensed Interim Consolidated Statement of Cash Flow for the six months
ended 30 September 2022
(Expressed in Hong Kong Dollars)**

	Note	<u>Group</u>	
		Unaudited 1H FY2023 (Apr – Sep 22) HK\$'000	Unaudited 1H FY2022 (Apr – Sep 21) HK\$'000
Cash flows from operating activities			
Profit after tax		20,280	17,495
Adjustments for:			
Income tax (credit)/expense	5(b)	(419)	266
Depreciation of property, plant and equipment	9	207	456
Depreciation of right-of-use assets	11	2,274	2,468
Amortisation of intangible assets	10(b)	510	1,299
Interest income		(56)	(5)
Interest expense on lease liabilities	10(d)	83	228
Operating cash flows before changes in working capital		22,879	22,207
Changes in working capital			
Trade and other receivables		(4,423)	(2,695)
Contract assets		(7,232)	(1,448)
Refundable deposits		(42)	495
Inventories		(3,592)	-
Trade and other payables		(3,827)	433
Provision for retirement benefit		799	-
Contract liabilities		(108)	(88)
Cash generated from operations		4,454	18,904
Income tax paid		(1,221)	(870)
Net cash provided by operating activities		3,233	18,034

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**E. Condensed Interim Consolidated Statement of Cash Flow for the six months
ended 30 September 2022 (Continued)
(Expressed in Hong Kong Dollars)**

		<u>Group</u>	
		Unaudited 1H FY2023 (Apr – Sep 22) HK\$'000	Unaudited 1H FY2022 (Apr – Sep 21) HK\$'000
	Note		
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(582)	(419)
Interest received	6	56	5
Net cash used in investing activities		(526)	(414)
Cash flows from financing activities			
Increase in restricted cash		(39,386)	(82)
Principal payment of lease liabilities		(2,569)	(2,457)
Payment of interest on lease liabilities	10(d)	(83)	(228)
Net cash used in financing activities		(42,038)	(2,767)
Net (decrease)/increase in cash and cash equivalents		(39,331)	14,853
Cash and cash equivalents, statement of cash flows, beginning balance		198,656	156,266
Effects of currency translation on cash and cash equivalents		(17,729)	(3,210)
Cash and cash equivalents, Statement of Cash flows ending balance (Note A)		141,596	167,909
Note A:			
Cash and bank deposits		183,623	170,007
Less: Restricted cash		(42,027)	(2,098)
Cash and cash equivalents as disclosed in consolidated statement of cash flows		141,596	167,909

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F. Notes to the Condensed Interim Consolidated Financial Statements

1. Corporate Information

Azeus Systems Holdings Ltd. (the “Company”) is incorporated as an exempt company with limited liability under the Companies Act 1981 of Bermuda and is listed on the mainboard of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 22 October 2004. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM1, Bermuda.

These condensed interim consolidated financial statements as at and for the six months ended 30 September 2022 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activity of the Company is that of an investment holding company. The principal activities of the Group are the provision of IT services and cloud-based subscription services of its software products.

2. Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 September 2022 have been prepared in accordance with Singapore Financial Reporting Standard (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore.

The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 March 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1 below.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

The condensed interim consolidated financial statements are presented in Hong Kong dollar which is the Company's functional currency.

The financial information contained in this announcement has neither been audited nor reviewed by the Company's auditors.

The latest audited annual financial statements of the Group are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

Accounting convention

The condensed interim consolidated financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

2.1 New and amended standards adopted by the Group

Other than the adoption of the new and amended standards from prior reporting year, there were no changes in accounting policies and methods of computation adopted in the condensed interim consolidated financial statements as compared to the most recently audited annual consolidated financial statements for the year ended 31 March 2022, which were in accordance with SFRS(I)s.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

2.1 New and amended standards adopted by the Group (Continued)

There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2022 and entities will need to consider whether any of these amendments could affect their existing accounting policies for their 2022 interim reports:

- (a) Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- (b) Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- (c) Annual Improvements to IFRS Standards 2018-2020
- (d) Reference to the Conceptual Framework – Amendments to IFRS 3.

These applicable new and amended standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

2.2 Critical judgements, assumptions and estimation uncertainties

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Estimates and underlying assumptions are reviewed on an ongoing basis. However, actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The nature and the carrying amount of such significant assets and liabilities are disclosed with further details in the relevant Notes to these condensed interim consolidated financial statements.

F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

**2.2 Critical judgements, assumptions and estimation uncertainties
(Continued)**

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual consolidated financial statements as at and for the year ended 31 March 2022.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group has two operating segments which are the provision of professional IT Services ("IT Services") and the sale and licensing of its 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".

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

The segment information of the reportable segments are as follows:

	Unaudited IT Services		Unaudited Azeus Products		Unaudited Total	
	1H FY2023	1H FY2022	1H FY2023	1H FY2022	1H FY2023	1H FY2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
6 months ended 30 September						
Segment revenue	34,204	29,683	82,222	65,752	116,426	95,435
Segment results	11,249	10,923	35,745	23,728	46,994	34,651
Amortisation of Intangible assets		-	(510)	(1,299)	(510)	(1,299)
Unallocated income/(expenses)						
Administrative salaries					(5,837)	(4,520)
Technical services and supplies					(889)	(792)
Other income					756	132
Other losses - net					(10,887)	(903)
Depreciation of property, plant and equipment					(207)	(456)
Depreciation of right-of-use asset					(2,274)	(2,468)
Directors' compensation					(1,373)	(1,384)
Rental expense on operating lease					(1,194)	(1,078)
Legal and professional fees					(1,100)	(1,032)
Insurance					(975)	(762)
Recruitment and training					(1,275)	(335)
Other expenses					(1,368)	(1,993)
Profit before tax					19,861	17,761
Income tax credit/(expense)					419	(266)
Profit for the period					20,280	17,495

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

	<u>IT Services</u>		<u>Azeus Products</u>		<u>Total</u>	
	<u>Sep 2022</u>	<u>Mar 2022</u>	<u>Sep 2022</u>	<u>Mar 2022</u>	<u>Sep 2022</u>	<u>Mar 2022</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets and liabilities						
Segment assets	27,417	15,091	36,099	29,717	63,516	44,808
Unallocated assets:						
Refundable deposits					4,163	4,094
Property, plant and equipment					1,213	898
Right-of-use assets					1,234	3,623
Deferred income tax assets					2,438	1,517
Cash and cash equivalents					183,623	201,296
Other receivables and deposits					2,001	1,983
Prepayments					4,449	982
Current income tax assets					1,097	336
					200,218	214,729
Total assets					263,734	259,537
Segment liabilities	2,281	1,465	72,429	76,235	74,710	77,700
Unallocated liabilities:						
Trade and other payables					7,698	11,168
Lease liabilities					1,434	4,002
Current income tax liabilities					895	1,338
Provision for defined retirement benefits					9,410	10,642
					19,437	27,150
Total liabilities					94,147	104,850

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

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

The management assesses the performance of the operating segments based on a measure of gross profits 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 IT Services and Azeus Products. Breakdown of the revenue is as follows:

	1H FY2023	Group	1H FY2022
	HK\$'000		HK\$'000
IT Services	34,204		29,683
Azeus Products	82,222		65,752
Total	116,426		95,435

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

(b) Timing of revenue recognition

	At a point in time HK\$'000	Over time HK\$'000	Total HK\$'000
1H FY2023			
IT Services			
Systems implementation and enhancement	-	11,961	11,961
Sales of hardware and software	-	-	-
Maintenance and support services	-	22,243	22,243
	-	34,204	34,204
Azeus Products			
Product licensing revenue	-	69,222	69,222
Product service revenue	10,535	-	10,535
Systems implementation and enhancement	-	606	606
Maintenance and support services	-	1,859	1,859
	10,535	71,687	82,222
	10,535	105,891	116,426
1H FY2022			
IT Services			
Systems implementation and enhancement	-	6,356	6,356
Sales of hardware and software	63	-	63
Maintenance and support services	-	23,264	23,264
	63	29,620	29,683
Azeus Products			
Product licensing revenue	-	53,244	53,244
Product service revenue	9,643	-	9,643
Systems implementation and enhancement	-	2,181	2,181
Maintenance and support services	-	684	684
	9,643	56,109	65,752
	9,706	85,729	95,435

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

(c) Geographical information

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

	Sales for continuing operations	
	1H FY2023	1H FY2022
	HK\$'000	HK\$'000
Hong Kong and China	59,441	48,245
United Kingdom and Europe	19,366	18,343
Australia and New Zealand	9,192	8,379
North America and South America	6,498	5,521
Middle East	13,759	9,358
Africa	8,170	5,589
Total	116,426	95,435

	Non-current assets	
	Sep 2022	Mar 2022
	HK\$'000	HK\$'000
Hong Kong and China	5,150	6,387
United Kingdom and Europe	52	61
Philippines	3,813	3,662
Bermuda and British Virgin Islands	137	647
Others	33	22
Total	9,185	10,779

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

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

5. Profit and loss information

5(a) Expenses by nature

Expenses included in cost of revenue, research and development, selling and marketing expenses and administrative expenses are analysed as follows:

	1H FY2023 (Apr- Sep 22) HK\$'000	1H FY2022 (Apr- Sep 21) HK\$'000
Employee compensation	(51,771)	(47,744)
Depreciation of property, plant and equipment (Note 9)	(207)	(456)
Depreciation of right-of-use assets (Note 10(b))	(2,274)	(2,468)
Amortisation of intangible assets (Note 11)	(510)	(1,299)
Legal and professional fees	(1,100)	(1,032)
Rental expense on operating leases	(1,194)	(1,078)
Third-party hardware and software support cost	(3,312)	(3,083)
Project direct service cost, sub-contracting and consultancy fee	(1,618)	(1,425)
Third-party hardware and software cost	(122)	(30)
Cost of hosting services	(3,474)	(2,989)
Marketing activities expense	(6,568)	(3,395)
Directors remuneration	(1,373)	(1,384)
Utilities	(655)	(669)
Insurance	(975)	(762)
Provision for service warranties	-	(2,262)
Sales consultancy fee	(4,544)	(2,660)
Sales commission and referral fee	(1,122)	(1,079)
Technical supplies and services	(889)	(792)
Recruitment and training expenses	(1,275)	(335)
Other expenses	(2,455)	(1,261)
Total cost of revenue, research and development, selling and marketing and administrative expenses	(85,438)	(76,203)

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

5. Profit and loss information (Continued)

5(b) Income tax

Income tax credit/(expense) is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

	1H FY2023	1H FY2022
	(Apr - Sep 22)	(Apr - Sep 21)
	HK\$'000	HK\$'000
Tax expense attributable to profit is made up of:		
- Current income tax	-	(35)
- Withholding tax	(129)	(46)
 (Over)/Under provision in prior financial years:		
- Current income tax	-	(850)
- Withholding tax	-	665
- Deferred tax	548	-
	419	(266)

6. Other income and other losses – net

	1H FY2023	1H FY2022
	(Apr - Sep 22)	(Apr - Sep 21)
	HK\$'000	HK\$'000
Other income comprises of:		
Interest income	56	5
Sundry income	700	127
	756	132
 Foreign exchange losses, net	(10,887)	(903)
	(10,131)	(771)

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

7. Earnings per ordinary share

	<u>Group</u>	
	1H FY2023 (Apr - Sep 22)	1H FY2022 (Apr - Sep 22)
Profit attributable to equity holders of the Company (HK\$'000)	20,280	17,495
Weighted average number of shares	29,999,993	29,999,993
- Basic earnings per share (HK cents)	67.60	58.32
- Fully diluted earnings per share (HK cents)	67.60	58.32

Fully diluted earnings per share is similar to the basic earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 30 September 2022 and 30 September 2021.

8. Net asset value

	<u>Group</u>		<u>Company</u>	
	30 Sep 2022 HK\$	31 Mar 2022 HK\$	30 Sep 2022 HK\$	31 Mar 2022 HK\$
Net asset value per ordinary share based on the existing share capital as at period end	5.65	5.16	5.22	5.27

9. Property, plant and equipment

During the six months ended 30 September 2022, the Group acquired assets amounting to HK\$582,000 (30 September 2021:HK\$419,000). There is no disposal of assets in 1H FY2023 (1H FY2022:HK\$6,500). The depreciation expense during the period amounted to HK\$207,000 (1H FY2022: HK\$456,000).

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

10. Leases – Right-of-use assets and Lease Liabilities

The Group leases office space for the purpose of office operations. There are no externally imposed covenant on these lease arrangements.

	<u>Group</u>	
	30 Sep 2022	31 Mar 2022
	HK\$'000	HK\$'000
(a) Right of use assets – Carrying amount	<u>1,234</u>	<u>3,623</u>
(b) Depreciation charge during the period/year (Note 5(a))	<u>2,274</u>	<u>4,959</u>
(c) Lease Liabilities		
<i>Current</i>	1,066	3,509
<i>Non-current</i>	368	493
	<u>1,434</u>	<u>4,002</u>
(d) Interest expense on lease liabilities	<u>83</u>	<u>370</u>
(e) Lease expense not capitalised in lease liabilities		
Lease expense – short-term leases (Note 5(a))	<u>1,194</u>	<u>2,053</u>
(f) Total cash outflow for all the leases in the financial period ended 30 September 2022 was HK\$2,652,000 (1H FY2022: HK\$3,763,000).		
(g) There is no addition of right-of-use assets during the financial period ended 30 September 2022 (31 March 2022: nil).		

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

10. Leases – Right-of-use assets and Lease Liabilities (Continued)

(h) Future cash outflow which are not capitalised in lease liabilities

(i) *Extension options*

The leases for certain office space contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

11. Intangible assets

Azeus Products

	Group	
	30 Sep 2022	31 Mar 2022
	HK\$'000	HK\$'000
<i>Cost</i>		
Beginning and end of financial period	26,665	26,665
<i>Accumulated amortisation</i>		
Beginning of financial period	26,018	23,804
Amortisation charge (Note 5(a))	510	2,214
End of financial period	26,528	26,018
Net book value	137	647

Amortisation expense included in the condensed interim consolidated income statement and comprehensive income is analysed as follows:

	Group	
	1H FY2023	1H FY2022
	HK\$'000	HK\$'000
Research and development expenses (Note 5(a))	510	1,299

Intangible asset relates to the development costs for the proprietary products of the Group.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

12. 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	
	30 Sep 2022	31 Mar 2022
	HK\$'000	HK\$'000
Deferred income tax assets:		
- to be recovered within one year	-	-
- to be recovered after one year	2,438	1,517
	2,438	1,517
	2,438	1,517

Movement in deferred income tax account is as follows:

	Group	
	30 Sep 2022	31 Mar 2022
	HK\$'000	HK\$'000
Beginning of financial year	1,517	1,113
Tax losses on defined retirement benefits credited to other comprehensive income	624	241
Currency translation differences	(251)	(74)
Tax credited to profit or loss	548	237
End of financial year	2,438	1,517
	2,438	1,517

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.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

13. Share Capital

	<u>Group and Company</u>	
	Number of issued shares '000	Share capital amount HK\$'000
Balance as at period end	30,000	46,800

All ordinary shares are fully paid. The par value is US\$0.20 per share. As at 30 September 2022, share capital of the Company comprises 29,999,993 ordinary shares (31 March 2022: 29,999,993).

There were no outstanding convertibles, subsidiary holdings or treasury shares as at the end of the current financial period and as at the end of the corresponding period of the immediate preceding financial year.

14. Significant related party transactions

In the previous 1H FY2022, one of the subsidiary corporations entered into a short-term lease agreement with a company which has a common Director. For the six months ended 30 September 2021 (1H FY2022), the short-term lease payment amounting to HK\$35,000 was made. It was based on normal commercial terms and conditions.

The short-term lease agreement ended in September 2021. There is no such transaction recorded in 1H FY2023.

15. Borrowings

The Group had no bank borrowings or debt securities as at 30 September 2022 and 31 March 2022.

16. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

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G. Other Information Required by Listing Rule Appendix 7.2

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

The condensed interim consolidated statements of financial position of Azeus Systems Holding Limited and its subsidiaries as at 30 September 2022 and the related condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, the condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

3. Review of performance of the Group

3.1 Review of Statement of Profit or Loss

a. Revenue

	1H FY2023 (Apr-Sep 22) HK\$'000	1H FY2022 (Apr-Sep 21) HK\$'000	+ / (-) %
IT Services			
System implementation and enhancement	11,961	6,356	88
Sale of third-party hardware and software	-	63	n/m
Maintenance and Support Services	22,243	23,264	n/m
	34,204	29,683	15
Azeus Products	82,222	65,752	25
Total Revenue	116,426	95,435	22

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

a. Revenue (Continued)

Total Group revenue increased by 22.0% to HK\$116.4 million in 1H FY2023 from HK\$95.4 million in 1H FY2022. Overall, IT Services accounted for 29.4% (1H FY2022: 31.1%) of total Group revenue. Revenue from IT Services increased by HK\$4.5 million, or 15.2%, to HK\$34.2 million in 1H FY2023, up from HK\$29.7 million in 1H FY2022.

Systems implementation and enhancement accounted for 10.3% of the total revenue for 1H FY2023 (1H FY2022: 6.7%). Revenue from this segment increased by HK\$5.6 million, or 87.5%, from HK\$6.4 million in 1H FY2022 to HK\$12.0 million in 1H FY2023, mainly due to more projects and enhancements secured in 1H FY2023.

Revenue from the recurring Maintenance and Support Services segment accounted for 19.1% (1H FY2022: 24.4%) of total revenue in 1H FY2023. Revenue from this segment decreased slightly by 4.3%, or HK\$1.0 million, from HK\$23.3million in 1H FY2022 to HK\$22.3million in 1H FY2023.

Azeus Products accounted for 70.6% (1H FY2022: 68.9%) of total Group revenue. Revenue from Azeus Products increased by HK\$16.4 million, or 24.9%, from HK\$65.8 million in 1H FY2022 to HK\$82.2million in 1H FY2023. Revenue from this segment is contributed from the license revenue of the Group's proprietary products — "Convене", "Convене AGM" and "AzeusCare" and their associated professional services. The significant increase during the period was mainly due the exploitation of a new product, "Convене Records" which was secured during the period together with the continued growth of our "Convене" subscription revenue.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

b. Cost of revenue and gross profit margin

Cost of revenue mainly consists of direct expenses related to direct employee salaries for the delivery of service and provision of support services, cost of third-party hardware and software products used in IT services system implementation and maintenance projects, cost of subcontracting and consultancy services and hosting the Group's cloud-based application.

The Group's cost of revenue increased slightly by HK\$0.6million, or 1.9%, to HK\$31.8million in 1H FY2023 from HK\$31.2million in 1H FY2022. Overall, the Group's gross profit margin improved by 5.5 percentage points to 72.8% in 1H FY2023 as compared to 67.3% in 1H FY2022.

c. Research and development expenses

Research and development expenses consists primarily of personnel and related expenses (including salaries, benefits and bonuses) directly associated with product design and development teams.

The proportion of product design and development expenses that creates a benefit in future years and meets certain requirements under IFRS is capitalisable as an intangible asset and is then amortised over the estimated life of the asset created. The amount amortised relating to the Azeus product is included as a research and development expense.

Total research and development costs were HK\$13.6million in 1H FY2023, a slight decrease of HK\$0.2million, or 1.4% compared to 1H FY2022.

The decrease was mainly due to the amortisation of previously capitalised design and development expenditure of HK\$0.5million (1H FY2022: HK\$1.3million). Amortisation expense decreased during the period due to lower intangibles as compared to 1H FY2022.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

d. Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries and related expenses of sales representatives of HK\$17.3million (1H FY2022: HK\$14.5 million) and cost of marketing activities of HK\$6.6million (1H FY2022: HK\$3.4 million) which include advertising, trade shows and events, corporate communications, brand building and product marketing activities.

Selling and marketing expenses increased by 33.5% or HK\$6.0million to HK\$23.9million in 1H FY2023 as compared to HK\$17.9million in 1H FY2022, mainly due to an increase in sales representative personnel cost of HK\$2.8 million, and the Group's marketing strategy that has contributed to increased cost of marketing activities by HK\$3.2million as compared to 1H FY2022. The increase is in line with the Group's strategy to expand its sales team to pursue subscriber growth.

e. Administrative expenses

Administrative operating expenses include legal and professional fees, Directors' fees, audit fee, rent and rates and other operating expenses. The total expenses have increased by HK\$2.9million, or 21.8%, to HK\$16.2million in 1H FY2023 from HK\$13.3million in 1H FY2022. This is contributed mainly by the increased in recruitment expenses by HK\$0.7million and personnel cost of HK\$1.1million, in line with the Group's expansion plan.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

f. Other income and other losses– net

	1H FY2023 (Apr-Sep 22) HK\$'000	1H FY2022 (Apr-Sep 21) HK\$'000	+ / (-) %
Other income comprises of:			
Interest income	56	5	n/m
Sundry income	700	127	n/m
	756	132	n/m
Foreign exchange losses	(10,887)	(903)	1,106
	(10,131)	(771)	1,214

The sundry income represented the subsidies and grants introduced by various governments to support businesses amid the COVID-19 pandemic.

The increase in other losses for 1H FY2023 was due to higher mark-to-market unrealised net foreign exchange losses arising from the translation of net monetary assets recorded during the period as compared to 1H FY2022. The aggressive tightening by the US Reserve causes a sharp depreciation of other currencies.

g. Finance cost – lease interest

Finance lease interest arose from the lease of office space. The finance lease interest has decreased by 63.6% in 1H FY2023 as compared to 1H FY2022, from HK\$0.2million in 1H FY2022 to HK\$0.1 million in 1H FY2023 due to lower principal lease liability as compared to 1H FY2022, from the repayment made during the financial period under review.

h. Net profit after taxation

The Group reported a net profit of HK\$20.3million in 1H FY2023 as compared to a net profit of HK\$17.5million in 1H FY2022, an increase of 16.0%.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

3.2 Review of Statement of Financial Position

a. Trade and other receivables

Trade and other receivables increased by 19.7% from HK\$36.1million as at 31 March 2022 to HK\$43.2million as at 30 September 2022. The Group closely managed the recoverability of the receivables and recorded an impairment loss of financial assets of HK\$0.9million on 30 September 2022 (31 March 2022: HK\$4.6million).

b. Inventories

Inventories comprise of third-party hardware and software products to be used in IT services implementation projects under the relevant contract terms. The balance represents items that were delivered but pending the completion of the corresponding acceptance tests. Therefore, revenue associated with these hardware and software products have not been recognised.

During the period under review, the Group has acquired HK\$3.6million of inventories (31 March 2022: nil). These are the inventories that will be used to implement the new project secured by the Group during the period under review.

c. Contract assets

The Group's customers pay a fixed amount based on an agreed contractual payment schedule. Contract assets are recognised if the services rendered by the Group exceed the payment. Contract assets increased by HK\$12.0million, or 109.0%, from HK\$11.0million as at 31 March 2022 to HK\$23.0million as at 30 September 2022 as more contracts were secured during the period, but have not reached the milestone payment yet.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

3.2 Review of Statement of Financial Position (Continued)

d. Right-of-use assets

The right-of-use assets arises from office space lease arrangement that was entered by its subsidiaries for operational purposes. The right-of-use assets has decreased by 66.7% from HK\$3.6million as at 31 March 2022 to HK\$1.2million as at 30 September 2022, purely due to the depreciation charged during the period, amounting to HK\$2.3million.

e. Intangible assets – development cost of Azeus Products

Payroll related costs for employees who are directly involved in the development of new features, upgrades and enhancements of Azeus Products are capitalised as intangible assets. Net carrying value as at 30 September 2022 amounted to HK\$0.1million, a decrease from HK\$0.6million mainly due to the amortisation of HK\$0.5million in 1H FY2023.

f. Refundable deposits – non-current

The refundable deposits had a slight increase by HK\$0.1 million, or 2.4%, from HK\$4.1million as at 31 March 2022, to HK\$4.2million as at 30 September 2022.

g. Lease liabilities – current and non-current

Similar to the right-of-use assets, lease liabilities arose from office space lease arrangement that was entered by the subsidiaries for operational purposes. As of 30 September 2022, the current lease liabilities decreased by HK\$2.4million, or by 68.6% as compared to 31 March 2022, from HK\$3.5million to HK\$1.1 million. Non-current lease liabilities have decreased by HK\$0.1million, or by 20.0%, from HK\$0.5million on 31 March 2022, to HK\$0.4million on 30 September 2022. This is due to the repayment of the principal lease liabilities amounting to HK\$2.6million made during the period, while another HK\$0.1million was made for the payment of interest on lease liabilities.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

3.2 Review of Statement of Financial Position (Continued)

h. Contract liabilities

Contract liabilities primarily consist of billings due or payments received in advance of revenue recognition from subscription services and IT Services maintenance and support services respectively. Contract liabilities that will be recognised during the succeeding twelve months period are recorded as current contract liabilities while more than twelve months are recorded as non-current. Total contract liabilities maintained at a similar amount of HK\$69.0million as of 31 March 2022 as compared to HK\$68.9million as of 30 September 2022.

i. Current income tax liabilities

Current income tax liabilities have decreased by 30.7% or HK\$0.4million equivalent from HK\$1.3million as of 31 March 2022, compared to HK\$0.9million as at 30 September 2022.

j. Share capital and reserves

The Group's shareholders' equity increased from HK\$154.7million as of 31 March 2022 to HK\$169.6million as of 30 September 2022 mainly due to the net profit of HK\$20.3million generated from the growth in revenue generated in 1H FY2023.

3.3 Review of Statement of Cash Flows

The Group's net cash generated from operating activities was HK\$3.2million in 1H FY2023 as compared to HK\$18.9million cash generated in 1H FY2022. Overall, the Group maintained a cash position of HK\$183.6million as of 30 September 2022 (31 March 2022: HK\$201.3million). The decrease arose from the translation of net foreign currencies cash balances as there was a depreciation of foreign currencies as compared with the group reporting currency as of period end.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

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

There has been no significant variance in the results of the Group in the first half of FY2023 as compared to the prospect statement disclosed in the announcement of results for the full year ended 31 March 2022 on 27 May 2022.

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

Despite the challenging global economic environment, our business lines continue to grow. Barring unforeseen circumstances, we remain cautiously optimistic on the outlook of FY2023.

6. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (HK\$ in cents)	HK\$ 0.60 cent per ordinary share
Tax rate	Tax-exempt (1-tier)

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

6. Dividend (Continued)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend	Final dividend
Dividend type	Cash
Dividend amount per share (HK\$ in cents)	HK\$ 1.62 cent per ordinary share
Tax rate	Tax-exempt (1-tier)

(c) Date payable

Date of proposed interim dividend payment will be announced later.

(d) Books closure date

Notice of book closure date will be announced later.

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

Not applicable.

8. Interested person transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

9. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

10. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 September 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lee Wan Lik
Executive Chairman

Michael Yap
Chief Executive Officer

BY ORDER OF THE BOARD

LEE WAN LIK
Executive Chairman
14 November 2022