A CMMI LEVEL 5 COMPANY

AZEUS SYSTEMS HOLDINGS LTD.

Driving Growth, Creating Value

Annual Report 2010

CORPORATE PROFILE

Established in 1991, we are a leading provider of IT consultancy services based in Hong Kong. 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 programs of IT systems to fulfill the outsourcing needs of our customers.

We also provide a vast spectrum of maintenance and support services. In addition, we are engaged in business process outsourcing (BPO). One of our milestone achievements is having won the first business outsourcing project from the Hong Kong Government – covering IT consulting, 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 16 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.

Our Services

• 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 and disaster recovery drill, and system technical support.

• Business Process Outsourcing (BPO)

Our extensive experience and expertise in rendering business process management and providing business technology solutions offer a total solution to meet your business process outsourcing needs.

Azeus Systems Ltd, has been chosen as one of the suppliers to receive approval to enter into three Standing Offer Agreements for the Quality Professional Services with the Government of the Hong Kong Special Administrative Region for the supply of IT professional services.

The Group will also seek strategic partnerships with companies, which are exploring successful solutions to be incorporated into new products and services.

REACHING NEW FRONTIERS

MANAGING DIRECTOR'S MESSAGE

We continue to remain strong in securing governmental projects, while sustaining our market share in the Hong Kong public sector.

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you our annual report for the financial year ended March 31, 2010 ("FY2010").

The Year in Review

As the global economy picked up gradually in FY2010, an increase in net profit to HK$10.4 million came on the back of improved sales amounting to HK$93.5 million.

Net profit saw an increase to HK$10.4 million on the back of a 22.0% increase in revenue to HK$93.5 million in FY2010 compared to the previous year under review ("FY2009"). Group gross profit margin decreased marginally from 39.0% to 37.0% mainly due to an increase in revenue from the sale of third party hardware and software of HK$6.1 million in the period under review. The profit margin for these third party hardware and software items were lower than the profit margin of other IT services. Net profit margin increased from 1.0% in FY2009 to 11.1% in FY2010.

On the back of a rebound in net profit to HK$10.4 million, we are optimistic that our strong track record and prudent business strategy will put us in good stead. IT services continues to be our bedrock of the Group's business. We continue to remain strong in securing governmental projects, while sustaining our market share in the Hong Kong public sector. In August 2009, the Group announced it had been chosen as one of the suppliers in IT professional services to the Government of Hong Kong. The new agreements had taken effect in July 31, 2009 and will last for a period of 48 months.

Segmental Review

During the year under review, IT services remained the Group's key revenue contributor, rising to HK$58.5 million, compared to HK$41.0 million in FY2009.

IT Services

Accounting for 62.6% of total group revenue, IT services not only remained as the main revenue contributor continuing from FY2009, but also saw a 42.7% increase to HK$58.5 million, mainly due to a higher percentage of completion of the two major contracts secured in previous years, as well as higher third party hardware and software sales in FY2010 as compared to FY2009.

Maintenance and Support Services

Maintenance and Support services represented 26.7% of Group revenue. This segment remained about the same as FY2009.

Business Process Outsourcing

Our BPO segment contributed the remaining 10.7% of total revenue for the period under review. This segment grew slightly during the year under review, with a 3.2% increase in revenue to HK$10.0 million from HK$9.7 million in FY2009.

Outlook

We remain focused on sustaining our market share in the Hong Kong public sector. The near term outlook in the Hong Kang public sector is dependent on the timing of release of new tenders with potential impact on sales and profit. With a wide range of proven technology and solutions, the Group will continue to look for strategic partnerships with companies worldwide. Internally, the Group has a library of intellectual assets that have been developed over the years.

Coming out of the financial turmoil and resulting recession, we have been cautious and reviewed our business strategy, focus and operations and undertook measures to control the Group's cost structure without compromising efficiency of operations. We continued investing in our employees through training and skill development across various technological fronts and domains. This continuous investment in capability development and training will enhance the Group's competitiveness.

The Group is committed to looking for opportunities to generate new revenue streams from these assets and the Board will continue in being watchful of the Group's performance into the next fiscal year. We are confident that our greater operational efficiency, reinforced staff strength and established track record will put us in good stead moving forward.

Rewarding our shareholders

To thank our shareholders for their continued loyalty and confidence in Azeus, the Board is pleased to declare a first and final cash dividend of 3.47 HK cents per ordinary share.

Words of appreciation

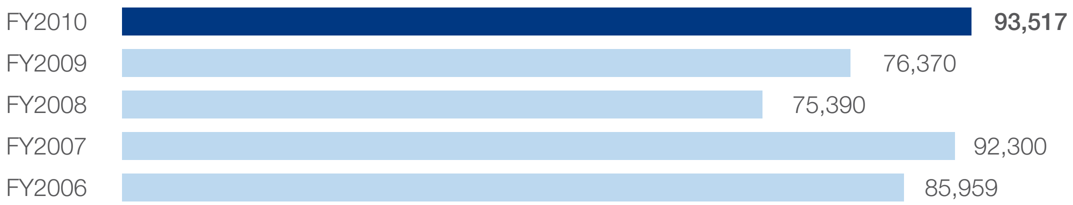
I would like to extend my sincere gratitude to my Board members, management team and dedicated staff for their commitment and contributions to Azeus. I would also like to convey my heartfelt "thank you" to our valued shareholders, customers, bankers and business associates for the support that you have given us. With your continued faith and support in Azeus, I am confident that we will achieve more as the global economy recovers.

Yours sincerely,

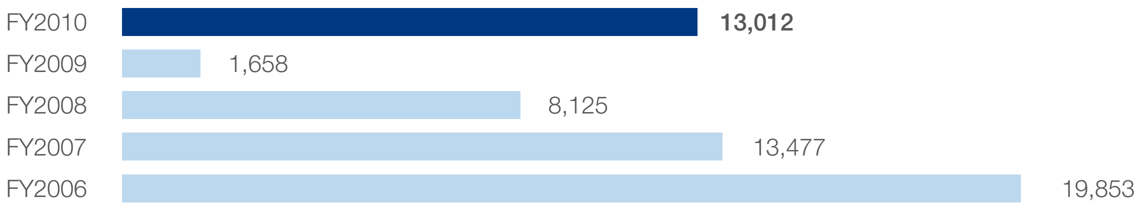
Lee Wan Lik
Founder and Managing Director

FINANCIAL HIGHLIGHTS

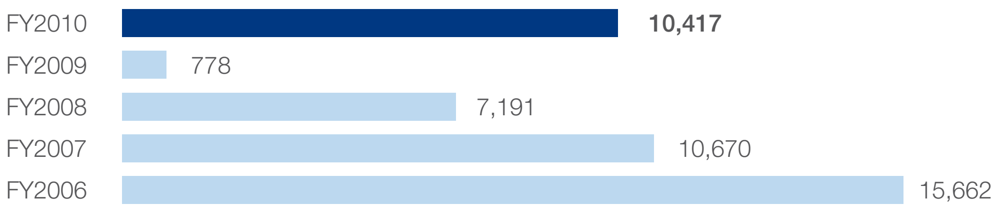
Revenue (HK $'000)



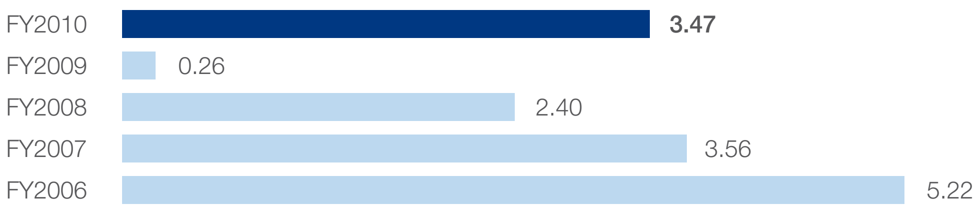
Profit Before Tax (HK $'000)



Net Profit (HK $'000)



Earnings Per Share (HK $'000)



CORPORATE INFORMATION

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

Senior Management
Mr Louis Chong (Chief Operating Officer)
Ms Peggy Sam (Group Financial Controller)
Ms Mary Rose T. Tan (President of Azeus Philippines)
Mr Rene Toling Lindio (Chief Technology Officer)
Mr Jerry Chua (Director of Azeus Philippines)

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

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

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

Joint Company Secretaries
Mr Yap Wai Ming
Mr Lean Min-tze

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
Appleby Management Limited
Argyle House
41a Cedar Avenue
Hamilton HM12
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 Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424

Ms Rebekah Khan
Partner-in-charge since financial year ended
March 31, 2009

Principal Bankers
Dah Sing Bank Limited
34th Floor,
Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

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

Principal Legal Adviser
Stamford Law Corporation
9 Raffles Place
#32-00 Republic Plaza
Singapore 048619

Investor Relations Contact
Citigate Dewe Rogerson
i.MAGE Pte Ltd
1 Raffles Place
#26-02 OUB Centre
Singapore 048616
Tel: (65) 6534 5122
Fax: (65) 6534 4171

BOARD OF DIRECTORS

Mr Lee Wan Lik

Managing Director

Appointed to our Board on May 12, 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

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

Independent Director

Mr Michael Yap Kiam Siew was appointed as an Independent Director of Azeus on September 14, 2004. He is currently Deputy Chief Executive Officer of the Media Development Authority of Singapore (MDA).

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 one of Business Week's 50 Stars of Asia for his significant contributions to the IT industry in Singapore in 1999. He was nominated by the World Economic Forum as one of the Top 100 Future Global Leaders in 2000.

Mr Koji Miura

Independent Director

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

Mr Chan Ching Chuen, age 73, joined Azeus Systems Holdings Board of Directors on February 1, 2008 as an independent board member. 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 a Fellow of the Royal Academy of Engineering, U.K., the Chinese Academy of Engineering, the Ukraine Academy of Engineering Sciences and a Fellow and Vice President (2000-2003) of Hong Kong Academy of Engineering Sciences. He is also a Fellow of IEEE, IET and HKIE lecturing on electric vehicles worldwide and in 2000, was awarded the IEE International Lecture Medal. He was awarded Gold Medal of Hong Kong Institution of Engineers in 2010.

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 Tsing Hua University in 1959 with an MSc in Electrical Engineering, later achieving his PhD in 1982 from University of Hong Kong. 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 Louis Chong

Chief Operating Officer

Mr Louis Chong is responsible for operations management of the Group including provision of professional services to our customers, project management, consultancy study, system implementation and system maintenance. He is also involved in formulating policies, managing daily operations, and planning the use of materials and human resources.

Mr Chong joined our Group as a Project Director in 2008. He was promoted to Chief Operating Officer in April 2010. Mr Chong holds Bachelor and Master of Science Degrees in Computer Science from the Massachusetts Institute of Technology (MIT). Mr Chong is a member of the Institute of Electrical & Electronics Engineers (IEEE) and the Association of Computing Machinery (ACM) and a former member of the Board of Directors of the MIT Alumni Club of Hong Kong (2001-2007) and Club Treasurer (2003-2007). Mr Chong has over 20 years of management and technical experiences in IT, telecommunications, networking and internet applications in USA and Asia.

Ms Peggy Sam

Group Financial Controller

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

Between 1994 and 2003, Ms Sam was with PricewaterhouseCoopers, including a two year secondment to PricewaterhouseCoopers, 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 Certified General Accountants Association of Canada starting from 2009.

Ms Mary Rose T. Tan

President of Azeus Philippines

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.

Mr Rene Toling Lindio

Chief Technology Officer

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 an Associate in 1996. He holds a Bachelor of Science in Mathematics from the University of the Philippines – Los Banos.

Mr Jerry Chua

Director of Azeus Philippines

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.

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 require an issuer to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2005 (the "Code") in its annual report. An issuer is required to disclose any deviation from any guideline of the Code 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. The Company has complied with the principles and guidelines as set out in the Code where appropriate.

BOARD MATTERS

Principle 1: 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, 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:

(a) to approve the Group's key business strategies and financial objectives;

(b) to approve the major investments and divestments, and funding proposals;

(c) to oversee the process for evaluating the adequacy of internal controls; risk management, financial reporting and compliance; and

(d) to assume overall responsibility for corporate governance.

The Board intends to hold at least two scheduled meetings each 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 when circumstances require, such as to address significant transactions or issues. The Company's Bye-Laws permits a board meeting to be conducted by way of teleconference and video-conference.

During the financial year ended 31 March 2010, the Board has conducted two meetings and the attendance record of each member of the Board is as follows:-

Name of Directors	Appointment	Number of meetings held	Attendance
Mr Lee Wan Lik	Executive	2	2
Ms Lam Pui Wan	Executive	2	2
Mr Koji Miura	Independent	2	2
Mr Michael Yap Kiam Siew	Independent	2	2
Mr Chan Ching Chuen	Independent	2	2

CORPORATE GOVERNANCE REPORT

To assist in the execution of its responsibilities, the Board has established and is supported by a number of Committees, including an Audit Committee, a Nominating Committee and a Remuneration Committee. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with entire Board.

Newly appointed directors are provided with information on their duties and obligations as a director under the Bermuda law, and given training on the governance practices and business activities of the Group. The Board is also regularly updated with changes to regulatory and accounting standards in Singapore.

Principle 2: Board Composition and Balance

The Board currently comprises of 5 members, three of whom are independent non-executive directors.

Name of Directors	Appointment	Date of First Appointment	Date of Last Re-election	Directorships on other listed Companies	
				Present	Past
Mr Lee Wan Lik	Executive Director	12 May 2004	28 July 2008	Nil	Nil
Ms Lam Pui Wan	Executive Director	12 May 2004	28 July 2008	Nil	Nil
Mr Koji Miura	Independent Non-Executive Director	14 September 2004	27 July 2009	Nil	Texchem-Pack Holdings (S) Ltd
Mr Michael Yap Kiam Siew	Independent Non-Executive Director	14 September 2004	27 July 2009	Nil	JK Technology Group Limited / MCM Technologies Berhad
Mr Chan Ching Chuen	Independent Non-Executive Director	1 February 2008	28 July 2008	Harbin Electric Inc	Nil

It is to be noted that the chairman and each member of the Nominating Committee had abstained from commenting on and validating his own independence.

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 judgment.

CORPORATE GOVERNANCE REPORT

Principle 3: Role of Chairman and Chief Executive Officer

The Group's Managing Director 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 Board is of the opinion that the absence of the appointment of a Chairman to their Board does not affect the effective running of the Board.

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 is responsible for:-

(a) making recommendations to the Board on all board appointments;

(b) the re-nomination of the Directors having regard to the Director's contribution and performance;

(c) determining the independence of each Director on an annual basis; and

(d) deciding whether a Director is able to and has been adequately carrying out his duties as Director.

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.

During the financial year ended 31 March 2010, the NC conducted 1 meeting and the attendance was as follows:-

Name of Directors	Appointment	Number of meetings held	Attendance
Mr Chan Ching Chuen	Independent	1	1
Mr Michael Yap Kiam Siew	Independent	1	1
Mr Lee Wan Lik	Executive	1	1

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.

A newly appointed Director will have to submit himself for retirement and election at an Annual General Meeting ("AGM") immediately following his appointment and thereafter, be subjected to retirement by rotation.

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.

Principle 5: Board Performance

The NC will assess the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. The NC is looking into drawing up a set of objective performance criteria for the evaluation and assessment of each Director's performance.

The NC has initiated the assessment of the effectiveness of the Board in this financial year, by getting the Directors to conduct self-assessments through a questionnaire. The questionnaire covering areas such as the effectiveness of the Board in its monitoring role and the attainment of the strategic and long term objectives set by the Board, as well as the enhancement of the long-term shareholders' value. The results and conclusions of assessment are then presented to the Board for action plans to be drawn up to address areas which required improvement.

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 Secretaries. The Company Secretaries 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 Secretaries 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).

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. During the financial year ended 31 March 2010, the RC has conducted 1 meeting and the attendance was as follows:

Name of Directors	Appointment	Number of meetings held	Attendance
Mr Michael Yap Kiam Siew	Independent	1	1
Mr Koji Miura	Independent	1	1
Mr Chan Ching Chuen	Independent	1	1

The RC is responsible for:-

(a) recommending to the Board a remuneration framework for the Board and Key Executive Officers, and determining a specific remuneration package for each Executive Director and the Managing Director (or executive of equivalent rank). The RC will consider all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and

CORPORATE GOVERNANCE REPORT

(b) reviewing and administering the Company's compensation schemes such as our employee share option scheme and other remuneration packages of the Company from time to time. As part of its review, the RC shall ensure that all aspects of the various schemes are comparable to other similar companies within the industry.

The key executive Directors do not receive director's fee. The remuneration for the executive directors and the key senior executives 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.

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

Directors' remuneration

Remuneration band and name of Directors	Salary	Bonus	Director's fees	Incentive and other benefits	Total
<S$200,000					
Mr Lee Wan Lik	98%	–	–	2%	100%
<S$100,000					
Mr Michael Yap Kiam Siew	–	–	100%	–	100%
Mr Koji Miura	–	–	100%	–	100%
Mr Chan Ching Chuen	–	–	100%	–	100%
Ms Lam Pui Wan	100%	–	–	–	100%

Remuneration band and name of 5 key executives	Salary	Bonus	Incentive and other benefits	Total
<S$200,000				
Ms Mary Rose T. Tan	57%	20%	23%	100%
Mr Rene Toling Lindio	59%	23%	18%	100%
Mr Jerry Chua	64%	17%	19%	100%
Ms Peggy Sam	83%	16%	1%	100%
Mr Tao Wing Hong (resigned on 20 February 2010)	64%	6%	30%	100%

The remuneration of the Non-Executive Directors and Independent Directors is in the form of a fixed fee. The fees of the Directors will be subject to shareholders' approval at the AGM.

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 our 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$150,000 in the financial year ended 31 March 2010.

Share option scheme

The Company has a share option scheme known as the Azeus Employee Share Option Scheme (the "Scheme"), which was approved by shareholders of the Company. The Scheme complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The Scheme will provide eligible participants with an opportunity to participate in the equity of the Company, so as to incentivise and motivate them towards better performance through increased dedication and loyalty. The Scheme is administered by the RC. No options have been granted under the Scheme during the current financial period.

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: 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 AC has met twice during the financial year ended 31 March 2010 and the attendance was as follows:-

Name of Directors	Appointment	Number of meetings held	Attendance
Mr Koji Miura	Independent	2	2
Mr Michael Yap Kiam Siew	Independent	2	2
Mr Chan Ching Chuen	Independent	2	2

The AC will meet periodically to, inter alia:

(i) review the audit plans and reports of our Company's internal and external auditors;

(ii) review the financial statements of our Company before submission to the Directors and shareholders;

(iii) review and evaluate the independence and performance of the external auditors;

(iv) review any major interested person transactions;

(v) review the effectiveness and adequacy of internal accounting and financial control procedures;

(vi) review the adequacy of the business risk management process; and

(vii) review the appointment / re-appointment of the external / internal auditors and the audit fees

CORPORATE GOVERNANCE REPORT

Apart from the above functions, our 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 our 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 auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors.

The AC has accordingly recommended to the Board that the auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

In line with the Code of Corporate Governance 2005, a private session between the AC with the external auditor, and internal auditor was held to discuss any issues without the presence of the Management.

Principle 12: Internal Controls

The Board is cognisant of its responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets and business. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial effects, as well as for the authorisation of capital expenditure and investments.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the management provides reasonable assurance against material financial misstatements or loss, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks. The Board is therefore of the view that the system of internal controls and risk management maintained by the Group is adequate to safeguard shareholders' investments and the Group's assets.

The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

Principle 13: Internal Audit

The Company has not established an internal audit function but the Company has appointed Grant Thornton as its internal auditor to review the effectiveness of the Company's material internal controls subject to the scope of work agreed with the AC and the resulting report issued by the internal auditor is reviewed in detail by the AC in conjunction with management.

For FY2010, the Board is of the view that based on the reports from the internal auditor, the system of internal controls that has been maintained by the management throughout the financial year is adequate to meet the needs of the Company. The Board shall consider expanding its internal audit resources as and when the need arises.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: 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.

All shareholders of the Company receive the annual report and notice of AGM. The Notice of AGM 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) where shareholders and members of the public are able to access up-to-date corporate information and new events related to the Group.

Principle 15: Greater shareholders participation

The Annual General Meeting of the Company represents the principal forum for dialogue and interaction with all shareholders. At each Annual General Meeting, 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.

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 Directors of the Company have adopted a Code of Best Practices on Securities Transactions by Officers to govern the dealings in securities by the directors and officers of the group, which is modelled on the Best Practices Guide introduced by the SGX-ST.

In line with the Best Practices Guide introduced by the SGX-ST, the Company issues circulars to its directors, officers and employees of the Group in emphasising that they must not deal in the listed securities of the Group in the period of one month before the release of the half-yearly and full-year financial results, if they are in possession of any unpublished material price-sensitive information. All directors, officers and managers are also required to file with the Company regular reports on all their dealings in the listed securities of the Group during the financial year.

Risk Management

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.

CORPORATE GOVERNANCE REPORT

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.

UPDATE ON THE USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERING OF THE COMPANY PURSUANT TO RULE 1207(19) OF THE LISTING MANUAL OF SGX-ST

The Company has raised approximately HK$68.3 million (equivalent to approximately S$14.7 million) from its initial public offering ("IPO") through issuance of 75,000,000 new shares at S$0.22 each on 22 October 2004 (after deducting IPO expenses as disclosed on page 45 of the Company's Prospectus dated 13 October 2004).

As at the date of the Annual Report, the total net proceeds of HK$63.1 million (equivalent to approximately S$12.1 million) were utilised as follows:-

Intended use	Amount Allocated S$ million	Amount Utilised S$ million	Balance S$ million
Expansion of Philippines and China Operation	1.2	–	1.2
Sales and marketing activities	1.2	–	1.2
Strategic business investments and acquisitions	3.5	(0.5)	3.0
Commercial exploitation and development of intellectual property rights	2.4	–	2.4
General working capital	6.4	(2.1)	4.3
	14.7	(2.6)	12.1

DIRECTORS' REPORT

For the financial year ended 31 March 2010

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2010 and the balance sheet of the Company as at 31 March 2010.

Directors

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

Mr Lee Wan Lik
Ms Lam Pui Wan
Mr Koji Miura
Mr Michael Yap Kiam Siew
Professor 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 or nominee		Holdings in which director is deemed to have an interest	
	At 31.3.2010	At 1.4.2009	At 31.3.2010	At 1.4.2009
Company				
(No. of ordinary shares)				
Mr Lee Wan Lik	80,321,326	80,321,326(1)	153,000,000	153,000,000(2)
Ms Lam Pui Wan	14,000,000	14,000,000(1)	153,000,000	153,000,000(2)

(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.

(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 share capital of the Company as at 21 April 2010 remained unchanged from those as at 31 March 2010.

DIRECTORS' REPORT

For the financial year ended 31 March 2010

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr Lee Wan Lik and Ms Lam Pui Wan have employment relationships with a subsidiary and have received remuneration in those capacities.

Share options

Azeus Employee Share Option Scheme

On 14 September 2004, the shareholders at a Special General Meeting approved an employee share option scheme known as the "Azeus Employee Share Option Scheme" (the "Scheme") to grant share options to eligible employees, including executive and non-executive directors of the Company and its subsidiaries. However, qualified persons who are also the Company's controlling shareholders or their associates may not participate in the Scheme. The options grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to the market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the last dealt prices of the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the three consecutive Market Days immediately preceding the date of the grant of the option.

The Scheme is administered by the Remuneration Committee which comprises the following three directors:

1. Mr Michael Yap Kiam Siew (Chairman)
2. Mr Koji Miura
3. Professor Chan Ching Chuen

The committee has been authorised to determine the terms and conditions of the grant of the options.

During the financial year, no option was granted to controlling shareholders, key management or employees of the Company and its subsidiaries or their associates.

Independent auditor

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

On behalf of the directors

Lee Wan Lik
Director

Lam Pui Wan
Director

23 June 2010

STATEMENT BY THE DIRECTORS

For the financial year ended 31 March 2010

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 25 to 68 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

On behalf of the directors

Lee Wan Lik Director	Lam Pui Wan Director

23 June 2010

INDEPENDENT AUDITOR'S REPORT

To the Members of Azeus Systems Holdings Ltd.

We have audited the accompanying financial statements of Azeus Systems Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 25 to 68, which comprise the balance sheets of the Company and of the Group as at 31 March 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 23 June 2010

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 March 2010

	Note	Group 2010 HK$'000	Group 2009 HK$'000
Sales	4	93,517	76,370
Cost of sales		(58,740)	(46,257)
Gross profit		34,777	30,113
Other income	7	163	817
Other gains - net	8	156	40
Expenses			
- Selling and marketing		(4,429)	(7,562)
- Administrative		(17,154)	(21,234)
- Finance		(10)	(58)
Share of loss of a joint venture	17	(491)	(458)
Profit before income tax		13,012	1,658
Income tax expense	9	(2,595)	(880)
Net profit		10,417	778
Profit attributable to:			
Equity holders of the Company		10,417	778
Earnings per share for profit attributable to equity holders of the Company (HK cents per share)			
- Basic	10	3.47	0.26
- Diluted	10	3.47	0.26

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

CONSOLIDATED STATEMEMT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2010

	Group	
	2010 HK$'000	2009 HK$'000
Net profit	10,417	778
Other comprehensive income/(expense):		
Financial assets, available-for-sale		
- Fair value gains/(losses)	24	(38)
- Disposals	13	14
Currency translation differences arising on consolidation	71	(148)
Other comprehensive income/(expense) for the year, net of tax	108	(172)
Total comprehensive income	10,525	606
Total comprehensive income attributable to:		
Equity holders of the Company	10,525	606

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

BALANCE SHEETS

As at 31 March 2010

		Group		Company	
	Note	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	66,526	63,124	247	1,393
Trade and other receivables	12	22,672	6,814	61,856	51,570
Unbilled revenue on service contracts	14	32,175	36,746	–	–
Inventories	15	7,533	5,420	–	–
Current income tax assets	9	40	859	–	–
		128,946	112,963	62,103	52,963
Non-current assets					
Financial assets, available-for-sale	16	758	3,330	–	–
Refundable deposits		239	178	–	–
Investment in a joint venture	17	180	281	180	281
Investments in subsidiaries	18	–	–	50,526	50,527
Property, plant and equipment	19	686	687	–	–
Deferred income tax assets	22	352	305	–	–
		2,215	4,781	50,706	50,808
Total assets		131,161	117,744	112,809	103,771
LIABILITIES					
Current liabilities					
Trade and other payables	20	11,091	9,972	1,205	909
Current income tax liabilities	9	2,185	26	–	–
		13,276	9,998	1,205	909
Non-current liability					
Provision for retirement benefit	21	1,206	814	–	–
		1,206	814	–	–
Total liabilities		14,482	10,812	1,205	909
NET ASSETS		116,679	106,932	111,604	102,862
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	46,800	46,800	46,800	46,800
Share premium		56,489	56,489	56,726	56,726
Foreign currency translation reserve		25	(46)	–	–
Other reserves	24	1,304	1,267	–	–
Retained earnings/(accumulated losses)	25	12,061	2,422	8,078	(664)
Total equity		116,679	106,932	111,604	102,862

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2010

		Attributable to equity holders of the Company					
	Note	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010							
Beginning of financial year		46,800	56,489	(46)	1,267	2,422	106,932
Dividend relating to 2009 paid	26	–	–	–	–	(778)	(778)
Total comprehensive income for the year		–	–	71	37	10,417	10,525
End of financial year		46,800	56,489	25	1,304	12,061	116,679
2009							
Beginning of financial year		46,800	56,489	102	1,291	8,835	113,517
Dividend relating to 2008 paid	26	–	–	–	–	(7,191)	(7,191)
Total comprehensive income for the year		–	–	(148)	(24)	778	606
End of financial year		46,800	56,489	(46)	1,267	2,422	106,932

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 March 2010

	Note	Group 2010 HK$'000	Group 2009 HK$'000
Cash flows from operating activities			
Net profit		10,417	778
Adjustments for:			
- Income tax expense		2,595	880
- Retirement benefit plan		757	859
- Depreciation of property, plant and equipment		364	423
- Interest income		(111)	(712)
- Dividend income		(52)	(105)
- Net gain on available-for-sale financial assets		(6)	(23)
- Share of loss of a joint venture		491	458
- Unrealised currency translation losses/(gains)		37	(232)
- Interest expense		10	58
		14,502	2,384
Change in working capital			
- Trade and other receivables		(15,858)	7,946
- Unbilled revenue on service contracts		4,571	(12,135)
- Amount due from a joint venture		–	81
- Refundable deposits		(61)	31
- Inventories		(2,113)	(5,420)
- Trade and other payables		1,164	897
Cash generated from/(used in) operations		2,205	(6,216)
Income tax refunded		345	163
Net cash provided by/(used in) operating activities		2,550	(6,053)
Cash flows from investing activities			
Purchase of available-for-sale financial assets		–	(780)
Proceeds from disposal of available-for-sale financial assets		2,615	2,097
Purchases of property, plant and equipment		(342)	(321)
Decrease in deposits with original maturity over three months		556	9,987
(Increase)/decrease in pledged bank deposits		(30,023)	2,037
Contributions to retirement fund		(416)	(524)
Interest received		111	712
Dividend received		52	105
Additional capital to a joint venture		(390)	–
Net cash (used in)/provided by investing activities		(27,837)	13,313
Cash flows from financing activities			
Dividends paid to equity holders of the Company		(778)	(7,191)
Net cash used in financing activities		(778)	(7,191)
Net (decrease)/increase in cash and cash equivalents		(26,065)	69
Cash and cash equivalents at beginning of financial year		62,568	62,499
Cash and cash equivalents at end of financial year	11	36,503	62,568

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

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") is incorporated as an exempt company with limited liability under the Companies Act 1981 of Bermuda with registered office at 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 Company is listed on the Singapore Exchange.

The principal activity of the Company is that of an investment holding company. The principal activities of the joint venture and subsidiaries are set out in Notes 17 and 18 respectively.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS 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.

Interpretations and amendments to published standards effective in 2009

On 1 April 2009, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for annual periods commencing after 1 January 2009. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or revised FRS and INT FRS that are relevant to the Group:

- FRS 1 (revised), *Presentation of financial statements* (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has chosen to adopt the latter alternative. Where comparative information is restated or reclassified, a restated balance sheet is required to be presented as at the beginning comparative period. There is no restatement of the balance sheet as at 1 April 2008 in the current financial year.

- FRS 108, *Operating segments* (effective from 1 January 2009) replaces FRS 14, *Segment reporting*, and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of the FRS did not result in any impact on the reportable segments of the Group.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

- Amendment to FRS 107 *Improving Disclosures about Financial Statements* (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy (see Note 28). The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Service contracts

A service contract is a contract specifically negotiated for the provision of IT services, including sales of hardware and software products as required under the relevant contract terms.

When the outcome of a service contract can be estimated reliably, contract revenue for the provision of IT services is recognised by using the stage of completion method. The stage of completion is measured by reference to the percentage of actual time costs incurred to date to estimated total time costs. When the outcome of a service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable.

Contract costs are recognised when incurred. When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract and are presented as inventories or unbilled revenue on service contracts depending on their nature.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as unbilled revenue on service contracts in the balance sheet. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on service contracts.

(b) Maintenance fees

Maintenance fees are recognised pro-rata over the period of maintenance. Fees relating to future periods are treated as advances from customers within "trade and other payables" in the balance sheet.

(c) Support services fees and business process outsourcing fees

Support service fees and business process outsourcing fees are recognised when the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

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

2.3 Group accounting

(a) *Subsidiaries*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of non-controlling interest. Please refer to the paragraph "Intangible assets – Goodwill" for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

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

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

(b) *Joint ventures*

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

Investments in joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(b) *Joint ventures (continued)*

In applying the equity method of accounting, the Group's share of its joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint venture have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Please refer to paragraph 2.5 "Investments in subsidiaries and joint ventures" for the accounting policy on investments in joint ventures in the separate balance sheet of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

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

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.

(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:

	Useful lives
Leasehold improvements and 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 2010

2. Significant accounting policies (continued)

2.4 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 Group 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.

2.5 Investments in subsidiaries and joint ventures

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

2.6 Impairment of non-financial assets

Property, plant and equipment
Investments in subsidiaries and joint ventures

Property, plant and equipment and investments in subsidiaries and joint ventures 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.

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. Significant accounting policies (continued)

2.7 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at 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 maturing 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" and "cash and cash equivalents" on the balance sheet.

(ii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(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 in the fair value reserve relating to that asset is transferred to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on financial assets, available-for-sale are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

2. Significant accounting policies (continued)

2.7 Financial assets (continued)

(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 allowance for impairment loss account 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.

(ii) *Financial assets, available-for-sale*

In addition to the objective evidence of impairment described in Note 2.7(e)(i), a significant or prolonged decline in the fair value of an entity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.8 Inventories

Inventories comprise 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, less applicable variable selling expenses.

2.9 Trade and other payables

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

2. Significant accounting policies (continued)

2.10 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.11 Operating lease payments

Leases of assets 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.

2.12 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 and joint ventures, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

2. Significant accounting policies (continued)

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

(b) *Pension benefits*

The Group operates both defined benefit and defined contribution post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the provident fund scheme in Hong Kong on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

Defined benefits plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group has a pension 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 as determined by periodic actuarial calculations.

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit 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 tenures approximating to that of the related post-employment benefit obligations.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are recognised in profit or loss over the employees' expected average remaining working lives.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2. Significant accounting policies (continued)

2.13 Employee compensation (continued)

(c) *Share grant*

A controlling shareholder has implemented a share grant incentive scheme for certain key employees. Under this incentive, the managing director and 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) *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 when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.14 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 Dollars, 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 translation differences 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.

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 2010

2. Significant accounting policies (continued)

2.14 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 the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 April 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. For acquisitions prior to 1 April 2005, the exchange rates at the dates of acquisition are used.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.16 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.

2.17 Dividends to Company's shareholders

Interim dividends are recognised when they are declared payable. Final dividends are recognised when the dividends are approved for payments.

3. Critical accounting estimates 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.

Revenue recognition

The Group recognises contract revenue for provision of IT services based on the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

3. Critical accounting estimates and judgements (continued)

Revenue recognition (continued)

Significant judgement is required in determining the estimated total contract costs. In making the judgement, the Group relies on past experience and the work of specialists. If the estimated total costs for the contract differ by 10% from management's estimates, the Group's revenue will decrease/increase by approximately HK$7.1 million and HK$6.8 million respectively.

4. Sales

	Group	
	2010	2009
	HK$'000	HK$'000
IT services, including sales of hardware and software	58,524	41,005
Maintenance and support services	24,971	25,658
Business process outsourcing	10,022	9,707
Total sales	93,517	76,370

5. Expenses by nature

	Group	
	2010	2009
	HK$'000	HK$'000
Purchases of hardware and software (Note 15)	6,942	678
Depreciation of property, plant and equipment (Note 19)	364	423
Employee compensation (Note 6)	56,645	56,079
Rental expense on operating leases	4,208	3,938
Legal and professional fees	1,237	3,148
Repairs and maintenance expenses	3,903	2,464
Licences	–	380
Other expenses	7,024	7,943
Total cost of sales, selling and marketing and administrative expenses	80,323	75,053

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

6. Employee compensation

	Group	
	2010	2009
	HK$'000	HK$'000
Wages and salaries	53,515	51,641
Employer's contribution to defined contribution plans	2,867	2,702
Termination benefits	178	–
Retirement benefit cost (Note 21)	757	859
(Reversal of provision)/provision for long-service payment	(672)	877
	56,645	56,079

7. Other income

	Group	
	2010	2009
	HK$'000	HK$'000
Interest income	111	712
Dividend income	52	105
	163	817

8. Other gains - net

	Group	
	2010	2009
	HK$'000	HK$'000
Currency translation gain - net	150	17
Financial assets, available-for-sale		
- Gain on disposal	19	37
- Transfer from equity on disposal (Note 24(b)(i))	(13)	(14)
	6	23
	156	40

9. Income taxes

(a) Income tax expense

	Group	
	2010	2009
	HK$'000	HK$'000
Tax expense attributable to profit is made up of:		
- Current income tax - foreign	2,629	474
- Deferred income tax (Note 22)	(41)	375
	2,588	849
Under provision in prior financial years		
- Current income tax - foreign	7	31
	2,595	880

The tax expense on profit differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated companies is as explained below:

	Group	
	2010	2009
	HK$'000	HK$'000
Profit before tax	13,012	1,658
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,502	824
Effects of		
- income not subject to tax	(28)	(137)
- expenses not deductible for tax purposes	–	91
- temporary differences not recognised	32	75
- other	82	(4)
Tax charge	2,588	849

The weighted average applicable tax rate was 17% (2009: 20%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

9. Income taxes (continued)

(b) Movements in current income tax liabilities/(assets)

(i) Current income tax assets

	Group 2010 HK$'000	Group 2009 HK$'000
Beginning of financial year	(859)	(1,567)
Currency translation difference	(3)	6
Income tax refund	815	232
Tax expense	–	439
Under provision in prior financial years	7	31
End of financial year	(40)	(859)

(ii) Current income tax liabilities

	Group 2010 HK$'000	Group 2009 HK$'000
Beginning of financial year	26	68
Currency translation difference	–	(8)
Income tax paid	(470)	(69)
Tax expense	2,629	35
End of financial year	2,185	26

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 2010	Group 2009
Net profit attributable to equity holders of the Company (HK$'000)	10,417	778
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	300,000	300,000
Basic earnings per share (HK cents per share)	3.47	0.26
Diluted earnings per share (HK cents per share)	3.47	0.26

Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares as at 31 March 2010 and 31 March 2009.

11. Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and on hand	26,022	37,545	247	1,393
Short-term bank deposits	40,504	25,579	–	–
	66,526	63,124	247	1,393

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

	Group	
	2010	2009
	HK$'000	HK$'000
Cash and bank balances (as above)	66,526	63,124
Less: Time deposits with original maturity over three months	–	(556)
Less: Bank deposits pledged (Note)	(30,023)	–
Cash and cash equivalents per consolidated cash flow statement	36,503	62,568

Note:

As at 31 March 2010, included in the cash and cash equivalents were bank deposits amounting to HK$30,023,000 (2009: Nil) 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 92 days (2009: 34 days) from the end of the financial year with the following weighted average effective interest rates:

	Group		Company	
	2010	2009	2010	2009
	%	%	%	$
Hong Kong Dollar	0.16	0.32	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

12. Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables				
- Non-related parties	17,815	3,178	–	–
Less: Allowance for impairment of receivables	–	(178)	–	–
Trade receivables – net	17,815	3,000	–	–
Amount due from subsidiaries - Non-trade (Note 13)	–	–	61,615	51,346
Other receivables and deposits	2,546	2,086	–	–
Prepayments	2,311	1,728	241	224
	22,672	6,814	61,856	51,570

13. Amounts due from/to subsidiaries

The non-trade amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand. At the balance sheet date, the fair values of non-trade amounts due from/to subsidiaries approximate their carrying amounts.

14. Unbilled revenue on service contracts

	Group	
	2010	2009
	HK$'000	HK$'000
Aggregate contract costs incurred and profits recognised (less losses recognised) to date	85,117	61,651
Less: Progress billings	(52,942)	(24,905)
	32,175	36,746

15. Inventories

	Group	
	2010	2009
	HK$'000	HK$'000
Hardware and software	7,533	5,420

The cost of inventories used for IT services recognised as an expense and included in "cost of sales" amounts to HK$6,942,000 (2009: HK$678,000).

16. Financial assets, available-for-sale

	Group	
	2010	2009
	HK$'000	HK$'000
Quoted investment funds, at market value		
Beginning of financial year	3,330	4,648
Additions	–	780
Fair value gains/(losses) recognised in equity (Note 24)	24	(38)
Disposals	(2,596)	(2,060)
End of financial year	758	3,330

The financial assets, available-for-sale of HK$758,000 (2009: HK$3,330,000) have been pledged as security for the performance bonds issued by a bank on behalf of the Group amounting to HK$3,399,000 (2009: HK$3,449,000).

17. Investment in a joint venture

The Company has a 50% equity interest at a cost of HK$1,950,000 (2009: HK$1,560,000) in Great (Bermuda) Island Scientific Ltd. ("Bermuda Scientific"), which provides enterprise learning management system. Bermuda Scientific is deemed to be a joint venture of the Company as the appointment of its directors and the allocation of voting rights for key business decisions, require the unanimous approval of its venturers.

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Equity investment at cost				
Beginning of financial year	281	739	281	1,560
Additional investment	390	–	390	–
Allowance for impairment	–	–	(491)	(1,279)
Share of losses	(491)	(458)	–	–
End of financial year	180	281	180	281

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

17. Investment in a joint venture (continued)

The following amounts represent the Group's 50% share of the assets and liabilities and expenses of the joint venture which has been accounted for in the consolidated financial statements using the equity method of accounting:

	Group	
	2010	2009
	HK$'000	HK$'000
Assets		
Current assets	170	276
Non-current assets	10	6
	180	282
Liabilities		
Current liabilities	–	(1)
Non-current liabilities	–	–
	–	(1)
Net assets	180	281
Income	–	91
Expenses	(491)	(549)
Net loss	(491)	(458)
Share of a joint venture's contingent liabilities incurred jointly with other investors	–	–
Contingent liabilities in which the Group is severally liable	–	–

Details of the joint venture are as follows:

Name of Company	Country of business/ incorporation	Principal activities	Equity holding 2010 %	Equity holding 2009 %
Great (Bermuda) Island Scientific Ltd [(a)]	Hong Kong/ Bermuda	Sell products relating to provision of computer services, advisory services and maintenance services relating to computer hardware and software and learning management computer systems.	50	50

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

18. Investments in subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Equity investments at cost		
Beginning of financial year	50,527	45,575
Additional investment in subsidiary	–	5,000
Less: Allowance for impairment	(1)	(48)
End of financial year	50,526	50,527

Impairment charge pertaining to the investment in a subsidiary, Azeus Systems Manila (BVI) Ltd., HK$1,000 (2009: HK$48,000) was included in "administrative expenses" in profit or loss of the Company. The impairment charge arose as the subsidiary incurred losses in the current financial year, causing its estimated recoverable amount to decrease below its carrying amount. The recoverable amount of the asset is its fair value less cost to sell. Fair value less cost to sell is 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 principal activities of subsidiaries together with information on their countries of incorporation and equity interest held by the Group are shown below:

Name of subsidiary	Country of business/ incorporation	Principal activities	Equity holding	
			2010	2009
			%	%
Held by the Company				
Azeus Systems Limited [(a)]	Hong Kong	IT consulting, project management and systems implementation	100	100
Azeus Systems Manila BVI Ltd. [(b)]	British Virgin Islands	Investment holding	100	100
Azeus Systems Philippines Limited [(f)]	Philippines /N.A.	Software development	N.A	N.A.
BIGontheNet Pte Ltd [(c)]	Singapore	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

18. Investments in subsidiaries (continued)

Name of subsidiary	Country of business/ incorporation	Principal activities	Equity holding 2010 %	Equity holding 2009 %
Held by the subsidiaries				
Azeus Systems Philippines, Inc. [(d)]	Philippines	Dormant	100	100
Azeus Systems (Dalian) Co., Ltd [(e)]	People's Republic of China	Software development	100	100

N.A. = not applicable

(a) Audited by PricewaterhouseCoopers, Hong Kong.

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

(c) Audited by PricewaterhouseCoopers LLP, Singapore.

(d) Audited by PricewaterhouseCoopers, Philippines.

(e) Financial year ends on 31 December and audited by Liaoning Mingke Certified Public Accountants Co., Ltd 辽宁明科会计师事务所有限公司, an audit firm in the People's Republic of China.

(f) Azeus Systems Philippines Limited is a branch of Azeus Systems Manila BVI Ltd., registered in Philippines, and is audited by PricewaterhouseCoopers, Philippines.

19. Property, plant and equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Group					
2010					
Cost					
Beginning of financial year	417	1,286	75	2,036	3,814
Currency translation differences	31	24	9	4	68
Additions	92	78	61	111	342
Disposals	(19)	–	–	(51)	(70)
End of financial year	521	1,388	145	2,100	4,154
Accumulated depreciation					
Beginning of financial year	329	1,109	12	1,677	3,127
Currency translation differences	25	15	3	4	47
Depreciation charge (Note 5)	69	84	21	190	364
Disposals	(19)	–	–	(51)	(70)
End of financial year	404	1,208	36	1,820	3,468
Net book value					
End of financial year	117	180	109	280	686
2009					
Cost					
Beginning of financial year	1,437	1,674	102	1,888	5,101
Currency translation differences	(174)	(79)	(26)	(48)	(327)
Additions	30	65	30	196	321
Disposals	(876)	(374)	(31)	–	(1,281)
End of financial year	417	1,286	75	2,036	3,814
Accumulated depreciation					
Beginning of financial year	1,238	1,438	47	1,538	4,261
Currency translation differences	(153)	(54)	(18)	(51)	(276)
Depreciation charge (Note 5)	120	99	14	190	423
Disposals	(876)	(374)	(31)	–	(1,281)
End of financial year	329	1,109	12	1,677	3,127
Net book value					
End of financial year	88	177	63	359	687

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

20. Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Advances received from customers	6,195	4,975	–	–
Amount due to a subsidiary - non-trade (Note 13)	–	–	104	104
Other accrual for operating expenses	4,896	4,997	1,101	805
	11,091	9,972	1,205	909

21. Provision for retirement benefit

The Group has a non-contributory retirement benefit plan (the "Plan") covering substantially all its regular employees in Philippines approved on 17 March 2007. 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 amount recognised in the balance sheets is determined as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Present value of funded benefit obligations	3,037	3,555
Fair value of plan assets	(2,105)	(1,445)
	932	2,110
Unrecognised actuarial gains/(losses)	274	(1,296)
Liability recognised in balance sheet	1,206	814

The movement in the defined benefit obligation is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Beginning of financial year	3,555	4,547
Currency translation differences	223	(609)
Interest cost	371	358
Current service cost	416	507
Actuarial gains	(1,528)	(1,248)
End of financial year	3,037	3,555

21. Provision for retirement benefit (continued)

The movement in the fair value of plan assets is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Beginning of financial year	1,445	1,037
Currency translation differences	147	(176)
Expected return on plan assets	69	76
Contributions paid	416	524
Actuarial gains/(losses)	28	(16)
End of financial year	2,105	1,445

The amounts recognised in profit or loss are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current service cost	416	507
Interest cost	371	358
Expected return on plan assets	(69)	(76)
Net actuarial gain recognised during the year	39	70
	757	859

Of the total retirement benefit expense, HK$757,000 (2009: HK$859,000) were included in "administrative expenses".

Experience adjustments on retirement benefit obligation and plan assets for the financial year ended 31 March 2010 amounted to a gain of HK$203,000 (2009: loss of HK$370,000) and a gain of HK$29,000 (2009: loss of HK$15,000) respectively.

The movement in the provision for retirement benefit is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Beginning of financial year	814	577
Currency translation differences	51	(98)
Charged to profit or loss	757	859
Contributions paid	(416)	(524)
End of financial year	1,206	814

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

21. Provision for retirement benefit (continued)

The principal actuarial assumptions used were as follows:

	Group	
	2010	2009
Discount rate	9%	10%
Expected return on plan assets	4%	4%
Future salary increases	5%	8%
Average remaining working life in years	31.3	31.8
Average years of past service	6.5	6.0

The expected return on plan assets was determined by considering the expected returns used by the local Philippines banks on projected market yields of comparable investments.

The actual return on plan assets was HK$97,000 (2009: HK$81,000).

Expected contribution to the plan for the financial year ending 31 March 2011 is HK$434,000.

22. 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	
	2010 HK$'000	2009 HK$'000
Deferred income tax assets:		
- to be recovered after one year	(352)	(305)

Deferred income taxes are calculated in full on temporary differences under the liability method using the principal tax rate of the respective countries in which the Group operates.

Movement in deferred income tax account is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Beginning of financial year	(305)	(688)
Currency translation differences	(6)	8
Tax charged to profit or loss (Note 9)	(41)	375
End of financial year	(352)	(305)

22. Deferred income taxes (continued)

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$7,837,000 (2009: HK$7,191,000) 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 the company with unrecognised tax losses in its respective country of incorporation. The tax losses are available to be carried forward for the next five financial years in accordance with the relevant tax law of the country in which this company operates.

The movement in deferred income tax assets is as follows:

Group

Deferred income tax assets

	Tax losses HK$'000	Retirement benefits HK$'000	Other HK$'000	Total HK$'000
2010				
Beginning of financial year	(43)	(49)	(213)	(305)
Currency translation differences	–	–	(6)	(6)
Credited to profit or loss	–	(37)	(4)	(41)
End of financial year	(43)	(86)	(223)	(352)
2009				
Beginning of financial year	(339)	(23)	(326)	(688)
Currency translation differences	–	–	8	8
Charged/(credited) to profit or loss	296	(26)	105	375
End of financial year	(43)	(49)	(213)	(305)

The Group has no deferred income tax liabilities as at the balance sheet date.

23. Share capital

	Issued share capital	
	No. of ordinary shares '000	HK$'000
Group and Company		
2010 and 2009		
Beginning and end of financial year	300,000	46,800

The total number of authorised ordinary shares is 400 million shares (2009: 400 million shares) with a par value of US$0.02 per share (2009: US$0.02 per share). All issued ordinary shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

24. Other reserves

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
(a) Composition:				
Fair value reserve	(24)	(61)	–	–
Employee share-based payment reserve	1,328	1,328	–	–
	1,304	1,267	–	–
(b) Movements:				
(i) Fair value reserve				
Beginning of financial year	(61)	(37)	–	–
Financial assets, available-for-sale				
- Fair value gains/(losses) (Note 16)	24	(38)	–	–
- Transfer to profit or loss on disposal (Note 8)	13	14	–	–
End of financial year	(24)	(61)	–	–
(ii) Employee share-based payment reserve				
Beginning and end of financial year	1,328	1,328	–	–

25. Retained earnings/(accumulated losses)

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

	Company	
	2010	2009
	HK$'000	HK$'000
Beginning of financial year	(664)	7,704
Net profit/(loss)	9,520	(1,177)
Dividends paid (Note 26)	(778)	(7,191)
End of financial year	8,078	(664)

26. Dividends

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of HK0.26 cents (2009: HK2.40 cents) per share (Note 25)	778	7,191

At the Annual General Meeting on 28 July 2010, a final dividend of HK3.47 cents per share amounting to a total of HK$10,417,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 March 2011.

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 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:

	Group	
	2010	2009
	HK$'000	HK$'000
Not later than one year	3,914	3,702
Between one and five years	2,102	5,942
	6,016	9,644

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

28. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise 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.

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.

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

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Hong Kong, the People's Republic of China and the Philippines. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the Hong Kong Dollar ("HKD"), Chinese Yuan or Renminbi ("RMB") and Philippine Peso ("PESO").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies. The Group is exposed to currency risk on sales and purchases that are denominated primarily in PESO and United States Dollar ("USD"). In addition, the Group is exposed to currency translation risk on the net assets 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.

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	HKD HK$'000	USD HK$'000	SGD HK$'000	RMB HK$'000	PESO HK$'000	AUD HK$'000	Total HK$'000
2010							
Financial assets							
Cash and cash equivalents	61,098	1,709	1,068	719	1,888	44	66,526
Financial assets, available-for-sale	–	758	–	–	–	–	758
Unbilled revenue on service contracts	30,939	1,236	–	–	–	–	32,175
Trade and other receivables excluding prepayments	2,830	15,986	–	35	1,510	–	20,361
	94,867	19,689	1,068	754	3,398	44	119,820
Financial liabilities							
Other financial liabilities excluding advances from customers	(2,581)	–	(1,121)	(48)	(1,146)	–	(4,896)
	(2,581)	–	(1,121)	(48)	(1,146)	–	(4,896)
Net financial assets/ (liabilities)	92,286	19,689	(53)	706	2,252	44	114,924
Less: Net financial assets denominated in the respective entities' functional currencies	(92,275)	–	(741)	(706)	(2,252)	–	
Currency exposure on financial assets/ (liabilities)	11	19,689	(794)	–	–	44	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

28. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

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

	HKD HK$'000	USD HK$'000	SGD HK$'000	RMB HK$'000	PESO HK$'000	AUD HK$'000	Total HK$'000
2009							
Financial assets							
Cash and cash equivalents	54,665	5,453	2,133	503	337	33	63,124
Financial assets, available-for-sale	2,597	733	–	–	–	–	3,330
Unbilled revenue on service contracts	33,121	3,625	–	–	–	–	36,746
Trade and other receivables excluding prepayments	1,652	2,237	21	56	1,120	–	5,086
	92,035	12,048	2,154	559	1,457	33	108,286
Financial liabilities							
Other financial liabilities excluding advances from customers	(3,237)	–	(759)	(19)	(982)	–	(4,997)
	(3,237)	–	(759)	(19)	(982)	–	(4,997)
Net financial assets	88,798	12,048	1,395	540	475	33	103,289
Less: Net financial assets denominated in the respective entities' functional currencies	(88,787)	–	(727)	(540)	(475)	–	
Currency exposure on financial assets	11	12,048	668	–	–	33	

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:

	HKD HK$'000	USD HK$'000	SGD HK$'000	RMB HK$'000	PESO HK$'000	Total HK$'000
2010						
Financial assets						
Cash and cash equivalents	24	39	184	–	–	247
Trade and other receivables excluding prepayments	60,975	–	640	–	–	61,615
	60,999	39	824	–	–	61,862
Financial liabilities						
Other financial liabilities	(112)	–	(1,093)	–	–	(1,205)
	(112)	–	(1,093)	–	–	(1,205)
Net financial assets/ (liabilities)	60,887	39	(269)	–	–	60,657
Less: Net financial assets denominated in the Company's functional currency	(60,887)	–	–	–	–	
Currency exposure on financial assets/(liabilities)	–	39	(269)	–	–	
2009						
Financial assets						
Cash and cash equivalents	83	40	1,270	–	–	1,393
Trade and other receivables excluding prepayments	50,706	–	640	–	–	51,346
	50,789	40	1,910	–	–	52,739
Financial liabilities						
Other financial liabilities	(184)	–	(725)	–	–	(909)
	(184)	–	(725)	–	–	(909)
Net financial assets	50,605	40	1,185	–	–	51,830
Less: Net financial assets denominated in the Company's functional currency	(50,605)	–	–	–	–	
Currency exposure on financial assets	–	40	1,185	–	–	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

As at 31 March 2010 and 2009, the net financial assets/(liabilities) denominated in a currency other than the respective functional currencies of the Group entities are mainly in USD. Since HKD and USD are pegged, no significant change in the net financial assets/(liabilities) position is expected from any changes on the exchange rate between the HKD and USD. Hence, the Group's and Company's currency exposure is insignificant and no foreign currency sensitivity analysis is performed accordingly.

(ii) Cash flow and fair value 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. The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to the Group's cash and cash equivalents placed with banks and financial institutions in Hong Kong and Singapore.

Most of the interest bearing cash and cash equivalents placed with the banks are short-term in nature (Note 11). Variation in short-term interest rate is not expected to have a material impact on the results of the Group.

The sensitivity analysis below have been determined based on the exposure to interest rates for cash and cash equivalents placed with banks and financial institutions in Hong Kong and Singapore at the balance sheet date. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower with all other variables held constant, the Group's profit for the year ended 31 March 2010 would increase/decrease by approximately HK$203,000 (2009: increase/decrease by approximately HK$128,000). No analysis is prepared at the Company level as the sensitivity is immaterial.

28. Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to investment funds price risk arising from the investments held by the Group which are classified on the consolidated balance sheet as available-for-sale. These funds were issued by Hang Seng Bank Limited and offer a 100% capital guarantee at maturity. To manage its price risk, the Group diversifies its portfolio.

If prices for these funds change by 3.2% (2009: 0.2%) with all other variables including tax rate being held constant, the effects on profit after tax and equity will be:

	2010		2009	
	Increase/(Decrease)			
	Profit after tax HK$'000	Equity HK$'000	Profit after tax HK$'000	Equity HK$'000
Group				
Listed in Hong Kong				
- increased by	–	24	–	17
- decreased by	–	24	–	17

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of only dealing with creditworthy counterparties to mitigate the risk of financial losses from default.

Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Group obtains collateral from its customers. Cash terms, advance payments and letter of credits are required for customers of lower credit standing. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group's trade receivables comprise 5 debtors (2009: 8 debtors).

As at year-end, the Group does 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 Group's and Company's major classes of financial assets are bank deposits and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

28. Financial risk management (continued)

(b) Credit risk (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
By geographical areas				
Hong Kong	17,815	2,979	–	–
Singapore	–	21	–	–
	17,815	3,000	–	–
By types of customers				
Non-related parties				
- Public sector	17,815	3,000	–	–
- Other companies	–	–	–	–
	17,815	3,000	–	–

(i) Financial assets that are neither past due nor impaired

Bank deposits 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.

The Group's trade receivables not past due does not include receivables that would have been past due or impaired if the terms were not re-negotiated during the financial year. Other financial assets that are neither past due nor impaired consist primarily of advances to employees that are collected through salary deductions and other receivable in which the Group has the right to collect in the next twelve months.

28. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Past due < 3 months	779	–	–	–
Past due 3 to 6 months	–	–	–	–
	779	–	–	–

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Gross amount	–	178	–	–
Less: Allowance for impairment	–	(178)	–	–
	–	–	–	–
Beginning of financial year	(178)	(178)	–	–
Allowance utilised	178	–	–	–
End of financial year	–	(178)	–	–

(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 2010 and 2009, all financial liabilities of the Group and Company have a maturity date of less than one year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

28. Financial risk management (continued)

(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 optional capital structure, the Group may issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Group employs shareholders' equity only and does not have any borrowings.

(e) Fair value measurements

Effective 1 April 2009 the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents our assets and liabilities measured at fair value at 31 March 2010.

	Level 1 HK$'000
Group	
Assets	
Available-for-sale financial assets	
- Quoted investment funds	758
Total assets	758

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values.

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) Provision of IT services to a joint venture ("JV")

The JV is jointly controlled by the Company with 50% shareholding. A subsidiary has provided the application development and maintenance and support services to the JV for a fee of HK$239,000 (2009: Nil). The price was negotiated with the JV at arm's length.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries and other short-term employee benefits	3,643	3,217
Post-employment benefits	196	102
	3,839	3,319

Included in the above is total compensation to directors of the Company amounting to HK$1,261,000 (2009: HK$1,195,000).

31. Segmental information

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprised the Chief Executive Officer, the Chief Operating Officer and the Group Financial Controller.

The Exco considers the Group as a single operating segment which is primarily engaged in the provision of information technology ("IT") services. The services are similar in nature and these are based on the same backbone infrastructure. The costs are mainly staff costs incurred to provide IT services to customers. There are 3 major revenue streams: "IT services, including sales of hardware and software", "Maintenance and Support Services" and "Business Process Outsourcing".

IT services, including sales of hardware and software: This includes revenue arising from contract specifically negotiated for the provision of IT services, including sales of hardware and software products as required under the relevant contract terms.

Maintenance and Support Services: This includes revenue arising from provision of maintenance and support services to customers.

Business Process Outsourcing: This includes revenue arising from outsourcing of headcount for provision of IT support services to customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

31. Segmental information (continued)

The breakdown of the Group's revenue by sales is the same as that disclosed in Note 4.

As the reports reviewed by the Exco have been prepared on the same basis as the financial statements, there are no reconciling items to be disclosed.

The holding company is domiciled in Bermuda with no revenue arising from the country of domicile. All of the Group's revenues from external customers are attributed to business activities in Hong Kong.

Revenues of HK$92,826,000 (2009: HK$75,503,000) from external customers are derived from the provision of IT services to the public sector of Hong Kong Government.

32. Events occurring after balance sheet date

On 20 May 2010, the Group obtained the System Acceptance Certificate for a contract. Consequently, HK$27,322,000 of the bank deposits which were pledged as securities (Note 11) are released in June 2010.

33. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

FRS 27 (revised) *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009).

FRS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply FRS 27 (revised) prospectively to transactions with minority interests from 1 April 2010.

FRS 103 (revised) *Business Combinations* (effective for annual periods beginning on or after 1 July 2009)

FRS 103 (revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (Revised) prospectively to all business combinations from 1 April 2010.

34. 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 23 June 2010.

STATISTICS OF SHAREHOLDINGS

As at 15 June 2010

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	1	0.16	50	0.00
1,000 - 10,000	332	53.29	1,679,000	0.56
10,001 - 1,000,000	276	44.30	28,021,624	9.34
1,000,001 AND ABOVE	14	2.25	270,299,326	90.10
TOTAL	623	100.00	300,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MU XIA LTD	153,000,000	51.00
2	LEE WAN LIK	80,321,326	26.77
3	LAM PUI WAN	14,000,000	4.67
4	KHOO TEIK LIANG	5,590,000	1.86
5	ONG KIM KIAT	3,190,000	1.06
6	LIM CHEE NEO	3,000,000	1.00
7	NOMURA SINGAPORE LIMITED	2,000,000	0.67
8	LIM & TAN SECURITIES PTE LTD	1,734,000	0.58
9	TAN JUI YAK	1,421,000	0.47
10	CHOOI SIEW THIM	1,301,000	0.43
11	THAM WAI FONG	1,292,000	0.43
12	LIM GUAN TECK	1,212,000	0.40
13	CHIN HIN INVESTMENTS PTE LTD	1,150,000	0.38
14	LEE THIAM HOCK THOMAS	1,088,000	0.36
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	905,000	0.30
16	LIM GUAN CHIANG ALBERT	850,000	0.28
17	TAO WING HONG	789,751	0.26
18	SAM PUI CHEE PEGGY	751,375	0.25
19	SUE YAP SOH MOOI	714,000	0.24
20	TSAO SAN	684,000	0.23
	TOTAL	274,993,452	91.64

STATISTICS OF SHAREHOLDINGS

As at 15 June 2010

SUBSTANTIAL SHAREHOLDERS

As at 15 June 2010 (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	80,321,326	153,000,000
Ms Lam Pui Wan	14,000,000	153,000,000
Mu Xia Ltd.	153,000,000	–

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 153,000,000 shares held by Mu Xia Ltd..

PUBLIC FLOAT

Based on the information available to the Company as at 15 June 2010, 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 the Company will be held at 10 a.m. on Wednesday, 28 July 2010 at Enterprise Room, Level 4, Raffles City Convention Centre, Swissotel the Stamford Singapore, 80 Bras Basah Road, Singapore 189560 to transact the following business:-

As Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 March 2010 together with the Auditors' Report thereon. [Resolution 1]

2. To declare a first and final dividend of 3.47 Hong Kong Cents (equivalent approximately 0.62 Singapore Cents) per ordinary share for the year ended 31 March 2010. [Resolution 2]

3. To re-elect Mr Lee Wan Lik being a Director who retires by rotation pursuant to Bye-Law 104 of the Company's Bye-Laws. [Resolution 3]

4. To re-elect Ms Lam Pui Wan being a Director who retires by rotation pursuant to Bye-Law 104 of the Company's Bye-Laws. [Resolution 4]

5. To approve the payment of Directors' fees of S$75,000 for the financial year ended 31 March 2010. [2009: S$75,000] [Resolution 5]

6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. [Resolution 6]

As Special Business

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without amendments.

7. <u>Share Issue Mandate</u>

   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) 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) of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

(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) at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(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 issued, 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 Articles of Association for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution 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. [Resolution 7]
[See Explanatory Note (i)]

8. <u>Authority to allot and issue shares under the Azeus Employee Share Option Scheme</u>

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Azeus Employee Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of the issued shares (excluding treasury shares) of the Company from time to time. [Resolution 8]
[See Explanatory Note (ii)]

9. To transact any other business that may be properly transacted at the Annual General Meeting.

By Order of the Board

Yap Wai Ming / Lean Min-tze
Joint Company Secretaries
Singapore
7 July 2010

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) **Resolution 7**, if passed, will authorise 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 Company's total number of issued shares with an aggregate sub-limit of 20% of the Company's total number of issued shares other than on a pro rata basis to shareholders of the Company. The Company cannot rely on the authority given under Resolution 7 for an issue of convertible securities if the maximum number of shares to be issued upon conversion cannot be determined at the time of issue of the convertible securities.

(ii) **Resolution 8**, if passed, will authorise the Directors to offer and grant options in accordance with the provisions of the Azeus Employee Share Option Scheme (the "Scheme") and to allot and issue shares under the Scheme up to an amount not exceeding 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 10 August 2010 for the purpose of determining Members' entitlements to the proposed first and final dividend of 3.47 Hong Kong Cents per ordinary share for the financial year ended 31 March 2010 (the "**Proposed Final Dividend**").

Duly completed registrable transfers in respect of shares in the Company received up to the close of business at 5.00 p.m. on 10 August 2010 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 will be registered to determine members' entitlements to the Proposed Final Dividend. Members whose securities accounts with the Central Depository (Pte) Ltd are credited with shares in the Company as at 5.00 p.m. on 10 August 2010, will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved by members at the forthcoming Annual General Meeting to be held on 28 July 2010, will be paid on 23 August 2010.

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 form of proxy. 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 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 at the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the Annual General Meeting.

3. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be signed and deposited 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, at least forty-eight (48) hours before the time of the Annual General Meeting.

A CMMI LEVEL 5 COMPANY

AZEUS SYSTEMS HOLDINGS LTD.

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

Incorporated in Bermuda on 10 May 2004
Registration Number: 35312