

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.18 Currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items included primarily financial assets (other than equity investments), contract assets and financial liabilities.

Foreign exchange gains and losses impacting profit or loss are presented in the statement of profit and loss and other comprehensive income within "other gains/(losses)". Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

2.19 Segment reporting

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

2.20 Cash and cash equivalents

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

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.22 Dividends to Company's shareholders

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimation of total contract costs

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

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

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

As at 31 March 2020, HK\$4.7 million of the Group's contract assets is subject to the estimation of progress towards completion using the input method.

If the estimated total costs for the contract increase/decrease by 5% from management's estimates, the Group's revenue and contract assets will decrease and increase by approximately HK\$1.5 million and HK\$1.7 million respectively.

(b) Defined retirement benefits

The determination of the Group's pension benefit obligation and retirement benefits are dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, expected return on plan assets and rate of compensation increase.

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

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

Past service costs are recognised immediately in profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

4. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

2020	At a point		
	in Time	Over Time	Total
	HK\$'000	HK\$'000	HK\$'000
IT services			
Systems implementation and enhancement	-	36,210	36,210
Sales of hardware and software	15,777	-	15,777
Maintenance and support services	-	45,307	45,307
	15,777	81,517	97,294
Azeus Products	14,016	69,924	83,940
	29,793	151,441	181,234
2019			
	At a point		
	in Time	Over Time	Total
	HK\$'000	HK\$'000	HK\$'000
IT services			
Systems implementation and enhancement	-	46,983	46,983
Sales of hardware and software	1,479	-	1,479
Maintenance and support services	-	49,462	49,462
	1,479	96,445	97,924
Azeus Products	7,979	41,931	49,910
	9,458	138,376	147,834

Contract assets and liabilities for IT services contracts and Azeus Products are disclosed in Note 14. The breakdown of the Group's revenue by geographical regions are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

5. Expenses by nature

	Group	
	2020 HK\$'000	2019 HK\$'000
Depreciation of property, plant and equipment (Note 17)	532	566
Amortisation of intangible assets (Note 18)	4,183	4,276
Depreciation of right-of-use assets (Note 27)	4,932	-
Employee compensation (Note 6)	92,998	82,957
Rental expense on operating leases (Note 27)	1,952	6,474
Legal and professional fees	2,538	1,990
Third party hardware and software support cost	5,976	5,843
Sub-contracting fee	2,072	1,736
Third party hardware and software (Note 15)	13,528	1,463
Insurance	1,407	1,718
Fee on audit services	1,305	1,629
Cost of data center and IT infrastructure	10,604	4,811
Utilities	1,715	1,603
Marketing activities expense	5,613	4,267
Sales consultancy fee	845	840
Sales commission	1,349	1,700
Technical supplies and services	1,816	1,177
Other expenses	4,062	3,879
Total cost of sales, selling and marketing and administrative expenses	157,427	126,929

6. Employee compensation

	Group	
	2020 HK\$'000	2019 HK\$'000
Wages and salaries	84,233	76,058
Employer's contribution to defined contribution plans	6,947	6,166
Defined retirement benefits expenses (Note 20)	1,542	830
Other benefits	317	-
Write-back of provisions of unutilised leave	(41)	(97)
	92,998	82,957

7. Other income

	Group	
	2020 HK\$'000	2019 HK\$'000
Interest income from bank deposits	26	18
Sundry income	91	73
	117	91

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

8. Other losses

	Group	
	2020 HK\$'000	2019 HK\$'000
Currency exchange losses - net	(4,138)	(2,879)

9. Income taxes

(a) Income tax expense

	Group	
	2020 HK\$'000	2019 HK\$'000
Tax expense attributable to profit is made up of:		
- Current income tax	3,504	3,920
- Deferred income tax credit (Note 21)	(44)	(21)
	3,460	3,899
Under/(over)provision in prior financial years:		
- Current income tax	(190)	287
- Withholding tax	884	-
	694	287
Withholding tax	1,184	752
	5,338	4,938

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

	Group	
	2020 HK\$'000	2019 HK\$'000
Profit before tax	18,008	17,571
Tax calculated at domestic tax rates applicable to profit and loss in the respective countries	4,755	4,284
Effects of:		
- tax concession	(385)	(165)
- expenses not deductible for tax purposes	526	476
- income not subject to tax	(3)	(465)
- deferred tax assets not recognised	712	280
- temporary differences not recognised	-	(56)
- utilisation of previously unrecognised tax losses	(2,145)	(455)
- withholding tax	2,068	752
- (over)/under provision of tax in prior financial years	(190)	287
Tax charge	5,338	4,938

The weighted average applicable tax rate was 19.3% (2019: 17.2%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

9. Income taxes (continued)

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

	Group	
	2020 HK\$'000	2019 HK\$'000
Beginning of financial year	1,815	(611)
Currency translation difference	9	(50)
Income tax paid	(4,557)	(2,483)
Tax expense	3,504	4,672
(Over)/underprovision in prior financial years	(190)	287
End of financial year	581	1,815

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	
	2020	2019
Net profit attributable to equity holders of the Company (HK\$'000)	12,670	12,633
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	30,000	30,000
Basic earnings per share (HK cents per share)	42.23	42.11
Diluted earnings per share (HK cents per share)	42.23	42.11

Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares as at 31 March 2020 and 31 March 2019.

11. Cash and bank deposits

	Group		Company	
	31 March 2020 HK\$'000	31 March 2019 HK\$'000	31 March 2020 HK\$'000	31 March 2019 HK\$'000
Cash at bank and on hand	100,019	52,741	1,769	774
Short-term bank deposits	2,013	1,508	-	-
	102,032	54,249	1,769	774

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

Cash and bank deposit (as above)	102,032	54,249	1,769	774
Less: Restricted cash	(2,013)	(1,508)	-	-
Cash and cash equivalents per consolidated statement of cash flows	100,019	52,741	1,769	774

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

11. Cash and bank deposits (continued)

As at 31 March 2020, included in cash and bank deposits were bank deposits amounting to HK\$2,013,000 (31 March 2019: HK\$1,508,000) which were not freely available for use by the Group as they have been pledged as securities for the performance bonds and the bank guarantees issued by the banks on behalf of the Group.

Short-term bank deposits at the balance sheet date had an average maturity of 30 days (2019: 91 days) from the end of the financial year with the following weighted average effective interest rates per annum:

	Group	
	31 March 2020 %	31 March 2019 %
Hong Kong Dollar	0.30	0.30

12. Trade and other receivables

	Group		Company	
	31 March 2020 HK\$'000	31 March 2019 HK\$'000	31 March 2020 HK\$'000	31 March 2019 HK\$'000
Trade receivables				
- Non-related parties	23,816	13,474	-	-
Amount due from subsidiaries				
- Non-trade (Note 13)	-	-	58,068	60,036
Prepayments	3,821	3,682	273	274
Other receivables and deposits (non-related parties)	7,404	7,953	-	-
	35,041	25,109	58,341	60,310

13. Amounts due from/to subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

14. Contract assets and liabilities

	Group	
	31 March 2020 HK\$'000	31 March 2019 HK\$'000
<i>Contract assets</i>		
IT service systems implementation and enhancement	3,262	31,533
IT service maintenance and support services	4,754	6,584
Azeus Products	4,231	-
Currency translation difference	-	3
	12,247	38,120
Less: Loss allowance	-	(144)
Total contract assets	12,247	37,976
<i>Contract liabilities</i>		
<i>Current</i>		
Azeus Products	32,623	26,045
IT service maintenance and support services	2,259	2,728
	34,882	28,773
<i>Non-current</i>		
Azeus Products	2,036	1,510
	2,036	1,510
Total contract liabilities	36,918	30,283

Contract assets is recognised when the services rendered by the Group exceeds the payment received. Customers pay the service amount on an agreed contractual payment schedules.

Contract liabilities primarily consists of payments received in advance for the Azeus Product subscription fees and IT service maintenance and support services respectively.

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

	Group	
	2020 HK\$'000	2019 HK\$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- Azeus Product	26,045	13,739
- IT service maintenance and support service	2,728	2,488
Revenue recognised in current period from performance obligations satisfied in previous periods	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

14. Contract assets and liabilities (continued)

(ii) *Unsatisfied performance obligations (continued)*

	Group	
	31 March 2020	31 March 2019
	\$'000	\$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 March		
- IT services	4,075	28,092
- Azeus Products	26,258	13,022
	30,333	41,114

Management expects that the transaction price allocated to unsatisfied performance obligations as at 31 March 2020 and 2019 may be recognised as revenue in the next reporting periods as follows:

	Within 1 year	Between 1 and 2 years	Over 2 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Partial and fully unsatisfied performance obligations as at:				
31 March 2020	8,155	21,592	586	30,333
31 March 2019	28,773	1,510	10,831	41,114

The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

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

15. Inventories

	Group	
	31 March 2020	31 March 2019
	HK\$'000	HK\$'000
Project hardware and software	-	13,304

The cost of inventories used for IT services rendered during the year recognised as an expense and included in "cost of sales" amounts to HK\$13,528,000 (2019: HK\$1,463,000) (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

16. Investments in subsidiaries

	Company	
	31 March 2020	31 March 2019
	HK\$'000	HK\$'000
Equity investments at cost		
Beginning of financial year	54,612	54,612
Additions	2,708	*
	57,320	54,612
Allowance for impairment		
Beginning of financial year	(4,329)	(4,145)
Allowance made	-	(184)
	(4,329)	(4,329)
End of financial year	52,991	50,283

* Amount below HK\$1,000

An allowance for impairment of HK\$184,000 was recognised for a dormant subsidiary based on its recoverable amounts, determined by reference to the net amount receivable from the realisation of the subsidiary's assets and the settlement of its liabilities at the end of 31 March 2019.

The Group had the following subsidiaries as at 31 March 2020 and 2019:

Name of subsidiaries	Country of business/ incorporation	Principal activities	Equity holding	
			31 March 2020	31 March 2019
			%	%
<u>Held by the Company</u>				
Azeus Systems Limited ^(a)	Hong Kong	Provision of IT services and selling software and cloud based subscription services	100	100
Azeus Systems Manila BVI Ltd. ^(b)	British Virgin Islands	Investment holding	100	100
Azeus UK Limited ^(c)	United Kingdom	Provision of IT services and selling software and cloud based subscription services	100	100
<u>Held by the subsidiaries</u>				
Convence SG Pte Ltd (formerly known as BIGontheNet Pte Ltd) ^(h)	Singapore	Provision of IT services and selling software and cloud based subscription services	100	100
Convence Pty Ltd (formerly known as Azeus Pty Ltd) ^(b)	Australia	Selling software and cloud based subscription services	100	100
Convence Malaysia Sdn Bhd (formerly known as Azeus Convence Malaysia Sdn Bhd) ^(f)	Malaysia	Selling software and cloud based subscription services	100	100

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For the financial year ended 31 March 2020

16. Investments in subsidiaries (continued)

Name of subsidiaries	Country of business/ incorporation	Principal activities	Equity holding	
			31 March 2020 %	31 March 2019 %
<u>Held by the subsidiaries</u>				
Azeus Convene (BVI) Limited ^(b)	British Virgin Islands	Investment holding	100	100
Convene, Inc ^(b)	United States of America	Selling software and cloud based subscription services	100	100
Azeus Systems Philippines, Inc. ^(b)	Philippines	Dormant	100	100
Azeus Systems Philippines Limited ^(f)	Philippines	Software development	100	100
Azeus Systems (Dalian) Co., Ltd ^(g)	People's Republic of China	Software development	100	100
Convene UK Limited ^(b)	United Kingdom	Dormant	100	100
Convene Hong Kong Limited ^(b)	Hong Kong	Dormant	100	100
Convene DWC LLC ^(e)	Dubai	Selling software and cloud based subscription services	100	100
Convene India Private Limited ^(b)	India	Selling software and cloud based subscription services	100	100
Convene (SAAS) Ireland ^(b)	Ireland	Selling software and cloud based subscription services	100	-
Convene Sociedad Limitad ^(b)	Spain	Selling software and cloud based subscription services	100	-

(a) Audited by PricewaterhouseCoopers, Hong Kong.

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

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

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

(e) Audited by Abdulla Almheiri Auditing of Accounts and Tax Consultant.

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

(g) Financial year ends on 31 December and audited by Dalian Mingyike Certified Public Accountants Co., Ltd, an audit firm in the People's Republic of China ("PRC"). There were no significant transactions or events occurring during the period 1 January 2020 to 31 March 2020.

(h) Audited by PricewaterhouseCoopers LLP.

NOTES TO THE FINANCIAL STATEMENTS

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17. Property, plant and equipment

	Leasehold Improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Group					
2020					
Cost	1,340	1,499	601	4,238	7,678
Beginning of financial year	98	60	9	590	757
Additions					
Currency translation differences	7	7	14	(36)	(8)
End of financial year	1,445	1,566	624	4,792	8,427
Accumulated depreciation					
Beginning of financial year	1,004	1,433	481	3,806	6,724
Depreciation change (Note 5)	152	22	70	288	532
Currency translation differences	12	5	11	(32)	(4)
End of financial year	1,168	1,460	562	4,062	7,252
Net book value					
End of financial year	277	106	62	730	1,175
Group					
2019					
Cost	1,006	1,447	588	4,121	7,162
Beginning of financial year	344	62	19	153	578
Additions					
Currency translation differences	(10)	(10)	(6)	(36)	(62)
End of financial year	1,340	1,499	601	4,238	7,678
Accumulated depreciation					
Beginning of financial year	838	1,427	413	3,532	6,210
Depreciation change (Note 5)	174	15	72	305	566
Currency translation differences	(8)	(9)	(4)	(31)	(52)
End of financial year	1,004	1,433	481	3,806	6,724
Net book value					
End of financial year	336	66	120	432	954

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18. Intangible assets

Azeus Products

	Group	
	2020 HK\$'000	2019 HK\$'000
<i>Cost</i>		
Beginning of financial year	26,665	36,719
Write-off	-	(10,054)
End of financial year	26,665	26,665
<i>Accumulated amortisation</i>		
Beginning of financial year	16,138	21,916
Amortisation charge	4,183	4,276
Write-off	-	(10,054)
End of financial year	20,321	16,138
Net book value	6,344	10,527

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

	Group	
	2020 HK\$'000	2019 HK\$'000
Cost of sales (Note 5)	4,183	4,276

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

19. Trade and other payables

	Group		Company	
	31 March 2020 HK\$'000	31 March 2019 HK\$'000	31 March 2020 HK\$'000	31 March 2019 HK\$'000
<i>Current</i>				
Trade payables - non-related parties	2,952	2,719	-	-
Amount due to subsidiaries - non-trade (Note 13)	-	-	104	104
Other accruals for operating expenses	7,548	4,924	1,075	1,203
	10,500	7,643	1,179	1,307

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20. Provision for defined retirement benefits

The Group has a non-contributory defined retirement benefits plan (the "Plan") covering substantially all its qualified employees in the Philippines. The fund is administered by a trustee bank, governed by local regulations and practices and approved by the local management. Under the Plan, normal retirement age is 60 years. The retirement plan is intended to provide benefit payments to members with at least 3 years of credited service. The Plan provides a retirement benefit ranging from 175% to 225% of plan salary for every year of credited service.

The amounts recognised in the balance sheets are determined as follows:

	Group	
	31 March 2020 HK\$'000	31 March 2019 HK\$'000
Present value of funded benefit obligations	20,896	15,230
Fair value of plan assets	(10,782)	(8,533)
Retirement benefit obligation	10,114	6,697

The movements in the retirement benefit obligation are as follows:

	Group	
	2020 HK\$'000	2019 HK\$'000
Beginning of financial year	6,697	2,099
Currency translation differences	157	(13)
Charged to profit or loss (Note 6)	1,542	830
Remeasurements		
- Losses from return on plan assets	(50)	357
- Gains from change in demographic assumptions	(2,483)	(1,470)
- Losses from change in financial assumptions	4,978	3,920
- Experience losses	626	1,681
Debited to other comprehensive income	3,071	4,488
Contributions paid	(1,353)	(707)
End of financial year	10,114	6,697

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

	Group	
	2020 HK\$'000	2019 HK\$'000
Beginning of financial year	15,230	9,793
Currency translation differences	358	(92)
Interest cost	1,068	691
Current service cost	1,119	707
Actuarial losses	3,121	4,131
- Changes in financial assumptions	4,978	3,920
- Changes in demographic assumptions	(2,483)	(1,470)
- Experience	626	1,681
End of financial year	20,896	15,230

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For the financial year ended 31 March 2020

20. Provision for defined retirement benefits (continued)

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

	Group	
	2020 HK\$'000	2019 HK\$'000
Beginning of financial year	8,533	7,694
Currency translation differences	201	(79)
Interest income	645	568
Contributions paid	1,353	707
Actuarial losses on return on plan assets	50	(357)
End of financial year	10,782	8,533

The Group's retirement plan assets consist of:

	Group	
	31 March 2020	31 March 2019
Debt securities	96%	80%
Cash and cash equivalents	4%	20%
Others	*	*
	100%	100%

* Less than 1%

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

The amounts recognised in profit or loss are as follows:

	Group	
	2020 HK\$'000	2019 HK\$'000
Current service cost	1,119	707
Interest cost	1,068	691
Interest income	(645)	(568)
Included in "Employee compensation" (Note 6)	1,542	830

The principal actuarial assumptions used were as follows:

	Group	
	31 March 2020	31 March 2019
Discount rate	5%	7%
Future salary increases	6%	6%
Average remaining working life in years	26.9	27.6
Average years of past service	10.7	10.1

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20. Provision for defined retirement benefits (continued)

The discount rate assumption is based on the spot yield curve calculated from the PDEX (PDSI/T-R2) market yields by stripping the coupons from government bonds to create virtual zero coupon bonds as of 9 March 2020 and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by HK\$3.3m	Increase by HK\$4.1m
Salary growth rate	1%	Increase by HK\$4.0m	Decrease by HK\$3.3m

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

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

21. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	31 March 2020	31 March 2019
	HK\$'000	HK\$'000
Deferred income tax assets:		
- to be recovered within one year	-	10
- to be recovered after one year	1,056	679
	1,056	689

Movement in deferred income tax account is as follows:

	Group	
	2020	2019
	HK\$'000	HK\$'000
Beginning of financial year	689	219
Actuarial losses on defined retirement benefits	307	448
Currency translation differences	16	1
Tax credited to profit or loss (Note 9)	44	21
End of financial year	1,056	689

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

21. 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\$25,195,000 (31 March 2019: HK\$36,781,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

The movement in deferred income tax assets is as follows:

Group

Deferred income tax assets

	Retirement benefits HK\$'000	Other HK\$'000	Total HK\$'000
2020			
Beginning of financial year	669	20	689
Actuarial losses on defined retirement benefits	307	-	307
Currency translation differences	16	-	16
Credited to profit or loss	20	24	44
End of financial year	1012	44	1,056
2019			
Beginning of financial year	210	9	219
Actuarial losses on defined retirement benefits	448	-	448
Currency translation differences	(10)	11	1
Credited to profit or loss	21	-	21
End of financial year	669	20	689

22. Share capital

	No. of ordinary shares		Amount	
	Issued share capital		Share capital	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
<u>Group and Company</u>				
Beginning and end of financial year	30,000	30,000	46,800	46,800

All issued ordinary shares are fully paid. The par value is US\$0.20 per share.

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For the financial year ended 31 March 2020

23. Share premium and other reserves

	Group		Company	
	31 March 2020 HK\$'000	31 March 2019 HK\$'000	31 March 2020 HK\$'000	31 March 2019 HK\$'000
Share premium	56,489	56,489	56,726	56,726
Other reserves				
Employee share-based payment reserve	1,328	1,328	-	-
Statutory reserve	55	22	-	-
	1,383	1,350	-	-

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

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

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

24. Retained profits/(accumulated losses)

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

	Company	
	2020 HK\$'000	2019 HK\$'000
Beginning of financial year	6,534	(4,869)
Net profit	8,162	13,263
Dividends paid (Note 25)	(6,300)	(1,860)
End of financial year	8,396	6,534

25. Dividends

	Group and Company	
	2020 HK\$'000	2019 HK\$'000
<i>Ordinary dividends paid</i>		
Final dividend paid in respect of the previous financial year of HK\$ 21.0 cents (2019: HK\$ 6.2 cents) per share	6,300	1,860

At the Annual General Meeting on 3 August 2020, a final dividend of 21.0 Hong Kong cents per share amounting to a total of HK\$6,300,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

26. Contingent liabilities

At 31 March 2020, there were contingent liabilities in respect of performance bonds amounting to HK\$1,701,000 (2019: HK\$1,436,000) issued by the banks on behalf of the Group.

27. Leases – The Group as a lessee

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

	2020 HK\$'000
(a) Right of use assets – Carrying amount	12,951
(b) Depreciation charge during the year	4,932
(c) Lease liabilities	
<i>Current</i>	3,453
<i>Non-current</i>	9,943
	13,396
(d) Interest expense on lease liabilities	698
(e) Lease expense not capitalised in lease liabilities	
Lease expense – short-term leases (note 5)	1,952
(f) Total cash outflow for all the leases in the financial year ended 31 March 2020 was \$5,284,000.	
(g) Addition of ROU assets during the financial year ended 31 March 2020 was \$10,380,000.	
(h) Future cash outflow which are not capitalised in lease liabilities	
(i) Extension options	

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

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For the financial year ended 31 March 2020

28. Commitments

Operating lease commitments

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

As at 31 March 2019, 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 HK\$'000
Not later than one year	3,831
Between one and five years	5,235
	<u>9,066</u>

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 April 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 March 2020, except for short-term and low value leases.

29. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk since the previous financial year.

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

(a) Market risk

(i) *Currency risk*

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

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

The Group manages currency risk by matching assets and liabilities in the same currency denomination and supplemented with appropriate financial instruments where necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

29. 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:

	Group				
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Others HK\$'000
31 March 2020					
Financial assets					
Cash and bank deposits	31,396	16,698	4,797	20,632	28,509
Contract assets	8,016	1,546	3	1,291	706
Trade and other receivables	6,959	12,279	66	4,925	6,971
Refundable deposits	1,081	-	-	-	477
Receivables from subsidiaries	92,231	6,389	743	32,429	13,664
	<u>139,683</u>	<u>36,912</u>	<u>5,609</u>	<u>59,277</u>	<u>50,327</u>
Financial liabilities					
Other financial liabilities	(1,889)	(2,229)	(941)	(2,893)	(2,547)
Payables to subsidiaries	(92,231)	(6,389)	(743)	(32,429)	(13,664)
	<u>(94,120)</u>	<u>(8,618)</u>	<u>(1,684)</u>	<u>(35,322)</u>	<u>(16,211)</u>
Net financial assets	<u>45,563</u>	<u>28,294</u>	<u>3,925</u>	<u>23,955</u>	<u>34,116</u>
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(44,718)	(5,518)	(1,322)	13,511	(15,779)
Currency exposure on financial assets denominated in the respective entities' functional currencies	<u>845</u>	<u>22,776</u>	<u>2,603</u>	<u>37,466</u>	<u>18,337</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

As at 31 March 2020 and, 31 March 2019, the net financial assets/(liabilities) denominated in a currency other than the respective functional currencies of the Group entities are mainly in USD, SGD and GBP. Since HKD is pegged to USD, no significant change in the net financial assets/(liabilities) position is expected from any changes on the exchange rate between the HKD and USD at the Group and Company level.

At 31 March 2020, if the GBP had strengthened/weakened by 6% (31 March 2019: 6%) against the HKD with all other variables including tax rate being held constant, the profit after tax of the Group would have been higher/lower by HK\$0.9million (31 March 2019: higher/lower by HK\$1.6 million) as a result of currency translation losses/gains on the remaining GBP-denominated financial instruments.

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

	Company				
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Others HK\$'000
31 March 2020					
Financial assets					
Cash and bank deposits	180	54	1,314	162	59
Trade and other receivables	58,068	-	-	-	-
	58,248	54	1,314	162	59
Financial liabilities					
Other financial liabilities	(266)	-	(913)	-	-
Net financial assets	57,982	54	401	162	59
Less: Net financial assets denominated in the Company's functional currency	(57,982)	-	-	-	-
Currency exposure on financial assets / (liabilities) net of those denominated in the Company's functional currency	-	54	401	162	59

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Company				
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Others HK\$'000
31 March 2019					
Financial assets					
Cash and bank deposits	14	59	460	172	69
Trade and other receivables	60,036	-	-	-	-
	60,050	59	460	172	69
Financial liabilities					
Other financial liabilities	(154)	-	(1,153)	-	-
Net financial assets	59,896	59	(693)	172	69
Less: Net financial assets denominated in the Company's functional currency	(59,896)	-	-	-	-
Currency exposure on financial assets / (liabilities) net of those denominated in the Company's functional currency	-	59	(693)	172	69

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

(ii) Cash flow and fair value interest rate risk

As at 31 March 2020 and 2019, the Group and Company have insignificant financial assets or liabilities that are exposed to interest rate risks.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

29. Financial risk management (continued)

(b) Credit risk

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

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The movements in credit loss allowance are as follows:

	Trade receivables \$'000	Contract assets \$'000	Total \$'000
Group			
Balance at 1 April 2019	942	144	1,086
Loss allowance recognised in profit or loss during the year on:			
- Changes in credit risk	942	(144)	798
Balance at 31 March 2020	1,884	-	1,884
Balance at 1 April 2018 under SFRS and SFRS(1)9	396	144	540
Loss allowance recognised in profit or loss during the year on:			
- Changes in credit risk	546	-	546
Balance at 31 March 2019	942	144	1,086

Cash and cash equivalents and other receivables are subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

29. Financial risk management (continued)

(b) Credit risk (continued)

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

(i) Trade receivables and contract assets

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

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

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 March 2020 and 31 March 2019 are set out in the provision matrix as follows:

Group	← Past due →					Total \$'000
	Current \$'000	Within 30 days \$'000	30 to 60 days \$'000	60 to 90 days \$'000	More than 90 days \$'000	
As at 31 March 2020						
<u>Contract assets</u>						
<i>IT services</i>	8,735	-	-	-	-	8,735
<i>Azeus Products</i>	3,512	-	-	-	-	3,512
	12,247					12,247
<u>Trade receivables</u>						
<i>IT services</i>						
Trade receivables	2,145	350	5	480	649	3,629
Loss allowance	-	-	-	-	(649)	(649)
	2,145	350	5	480	-	2,980
<i>Azeus Products</i>						
Trade receivables	3,685	3,427	3,979	3,949	7,031	22,071
Loss allowance	-	-	-	-	(1,235)	(1,235)
	3,685	3,427	3,979	3,949	5,796	20,836

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For the financial year ended 31 March 2020

29. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

Group	← Past due →					Total \$'000
	Current \$'000	Within 30 days \$'000	30 to 60 days \$'000	60 to 90 days \$'000	More than 90 days \$'000	
As at 31 March 2019						
<u>Contract assets</u>						
<i>IT services</i>						
Contract assets	38,120	-	-	-	-	38,120
Loss allowance	(144)	-	-	-	-	(144)
	<u>37,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,976</u>
<u>Trade Receivables</u>						
<i>IT services</i>						
Trade receivables	368	363	230	84	-	1,045
Loss allowance	-	-	-	-	-	-
	<u>368</u>	<u>363</u>	<u>230</u>	<u>84</u>	<u>-</u>	<u>1,045</u>
<i>Azeus Products</i>						
Trade receivables	3,134	3,302	1,645	871	4,419	13,371
Loss allowance	-	-	-	-	(942)	(942)
	<u>3,134</u>	<u>3,302</u>	<u>1,645</u>	<u>871</u>	<u>3,477</u>	<u>12,429</u>

(ii) Cash and cash equivalents

The Group and the Company held cash and cash equivalents of HK\$102,032,000 and HK\$1,769,000 respectively (2019: HK\$54,249,000 and HK\$774,000) with banks which are rated AAA and AA+ based on Standard & Poor and consider to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

(iii) Amount due from subsidiaries

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual obligation of HK\$52,991,000 (2019: HK\$50,283,000) and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

(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.

Management monitors rolling forecasts of the liquidity reserve and cash and cash equivalents (Note 11) of the Group and the Company on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates.

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For the financial year ended 31 March 2020

29. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Group	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000
At 31 March 2020			
Trade and other payables	7,681	-	-
Lease liabilities	3,453	5,142	4,801
At 31 March 2019			
Trade and other payables	6,832	-	-

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

There are no externally imposed capital requirements for the financial years ended 31 March 2020 and 2019.

(e) Financial instruments by category

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

	Group \$'000	Company \$'000
31 March 2020		
Financial assets, at amortised cost	32,969	58,766
Financial liabilities, at amortised cost	9,745	1,179
31 March 2019		
Financial assets, at amortised cost	21,862	60,036
Financial liabilities, at amortised cost	7,643	1,307

30. Immediate and ultimate holding corporation

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

31. 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) *Short term lease payment to a company which has common director*

	Group	
	2020	2019
	HK\$'000	HK\$'000
Short term lease payment to a company which has common director	57	-

(b) *Key management personnel compensation*

Key management personnel compensation is as follows:

	Group	
	2020	2019
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	4,661	4,589
Employer's contribution to:		
- defined contribution plans	54	54
- defined retirement benefits	290	171
	5,005	4,814

Included in the above is total compensation to directors of the Company amounting to HK\$1,249,000 (2019: HK\$1,276,000).

32. Segmental information

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

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

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For the financial year ended 31 March 2020

32. Segmental information (continued)

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

	Professional IT services		Azeus Products		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue from external customers	97,294	97,924	83,940	49,910	181,234	147,834
Segment results	31,262	39,901	26,129	12,689	57,391	52,590
Amortisation of Intangible assets	-	-	(4,183)	(4,276)	(4,183)	(4,276)
Unallocated income/(expenses):					117	91
Other income						
Other (losses)/gains					(4,138)	(2,879)
Depreciation of property, plant and equipment					(532)	(566)
Depreciation of right-of-use asset					(4,932)	-
Defined retirement benefit expense					(1,542)	(830)
Directors' compensation					(1,249)	(1,267)
Rental expense on operating lease					(1,952)	(6,474)
Legal and professional fees					(2,538)	(1,990)
Insurance					(1,407)	(1,718)
Fees on audit services					(1,305)	(1,629)
Administrative salaries					(6,897)	(5,932)
Other expenses					(8,825)	(7,549)
Profit before tax					18,008	17,571
Income tax expense					(5,338)	(4,938)
Profit attributable to equity holders of the Company					12,670	12,633
Assets and liabilities						
Segment assets	15,538	56,109	30,417	22,545	45,955	78,653
Unallocated assets:						
Refundable deposits					1,558	435
Property, plant and equipment					1,175	954
Right-of-use assets					12,951	-
Deferred income tax assets					1,056	689
Cash and cash equivalents					102,032	54,249
Other receivables and deposits					7,404	7,953
Prepayments					273	310
Current income tax assets					215	345
					126,664	64,935
Total assets					172,619	143,588

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For the financial year ended 31 March 2020

32. Segmental information (continued)

	Professional IT services		Azeus Products		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	3,667	3,881	35,739	29,737	39,406	33,618
Unallocated liabilities:						
Trade and other payables					8,012	4,308
Lease liabilities					13,396	-
Current income tax liabilities					796	2,160
Provision for defined retirement benefits					10,114	6,697
					32,318	13,165
Total liabilities					71,724	46,783

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

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

(a) Revenue from major products and services

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

	Group	
	2020	2019
	HK\$'000	HK\$'000
IT services	97,294	97,924
Azeus Products	83,940	49,910
Total	181,234	147,834

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For the financial year ended 31 March 2020

32. Segmental information (continued)

(b) Geographical information

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

	Sales for continuing operations	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	106,397	102,038*
United Kingdom and Europe	28,975	15,389
Australia	9,589	7,259
New Zealand	1,328	994
North America	7,474	6,191
Middle East	12,764	5,056*
Africa	7,345	4,458*
Others	7,362	6,449*
Total	181,234	147,834

* Management restated 2019 comparative to conform with the current year presentation. The revenue recognised from those additional regions presented in current year were material and management considered these should be separately disclosed.

	Non-current assets	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	9,909	555
United Kingdom	103	40
Philippines	6,472	1,469
British Virgin Islands	6,344	10,527
Australia	13	4
Middle East	36	10
Others	207	-
Total	23,084	12,605

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

33. New or revised accounting standards and interpretations

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 April 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 April 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

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. 9 July 2020.

STATISTICS OF SHAREHOLDINGS

As at 6 July 2020

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	0.71	110	0.00
100 - 1,000	239	56.77	114,589	0.38
1,001 - 10,000	114	27.08	497,115	1.66
10,001 - 1,000,000	62	14.73	4,656,047	15.52
1,000,001 AND ABOVE	3	0.71	24,732,132	82.44
TOTAL	421	100.00	29,999,993	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MU XIA LTD	15,300,000	51.00
2	LEE WAN LIK	8,032,132	26.77
3	LAM PUI WAN	1,400,000	4.67
4	DBS NOMINEES (PRIVATE) LIMITED	627,200	2.09
5	KHOO TEIK LIANG	559,000	1.86
6	EST OF ONG KIM KIAT, DEC'D	319,000	1.06
7	EST OF LIM CHEE NEO LUCY @CAROL LIM, DEC'D	300,000	1.00
8	ABN AMRO CLEARING BANK N.V.	266,100	0.89
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	182,800	0.61
10	CHOOI SIEW THIM	125,100	0.42
11	LIM GUAN TECK	110,000	0.37
12	THAM WAI FONG	103,700	0.35
13	TAN WEY LING	102,100	0.34
14	LIM & TAN SECURITIES PTE LTD	94,500	0.32
15	TING MENG LEONG	94,500	0.32
16	LIM GUAN CHIANG	85,000	0.28
17	CITIBANK NOMINEES SINGAPORE PTE LTD	84,300	0.28
18	TAO WING HONG	78,975	0.26
19	LEONG CHEE KENG	77,890	0.26
20	GUOH SING ONG@ GUOK SING ONG	76,000	0.25
	TOTAL	28,018,297	93.40

STATISTICS OF SHAREHOLDINGS

As at 6 July 2020

SUSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

NAME	NO. OF SHARES HELD AS DIRECT	%	NO. OF SHARES HELD AS DEEMED	%
Mr Lee Wan Lik	8,032,132	26.77	15,300,000	51.00
Ms Lam Pui Wan	1,400,000	4.67	15,300,000	51.00
Mu Xia Ltd.	15,300,000	51.00	-	-

Mr Lee Wan Lik and Ms Lam Pui Wan, holding shareholding interests of 10% and 90% respectively in Mu Xia Ltd., are deemed interested in the 15,300,000 shares held by Mu Xia Ltd.

PUBLIC FLOAT

Based on the information available to the Company as at 6 July 2020, 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

IMPORTANT:

The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of Annual General Meeting will not be sent to members. Instead, this Notice of Annual General Meeting will be sent to members by electronic means via publication on the Company's website at the URL: <https://www.azeus.com/category/announcements>. This Notice of Annual General Meeting will also be made available on SGXNET at the URL: <https://www.sgx.com/securities/company-announcements>.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Azeus Systems Holdings Ltd. (the "Company" or "Azeus") will be convened and held by way of electronic means on 13 August 2020 at 10:00 a.m., to transact the following business:

Please refer to the section titled "IMPORTANT INFORMATION" below for details.

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 March 2020, together with the Directors' Statement and the Auditor's Report thereon. **[Resolution 1]**
2. To declare a first and final dividend of 21.0 HK cents per share for the financial year ended 31 March 2020. **[Resolution 2]**
3. To approve the payment of Directors' Fees of S\$78,000 for the financial year ended 31 March 2020. [2019: S\$78,000] **[Resolution 3]**
4. To re-elect Mr Lee Wan Lik, a Director who retires pursuant to Article 104 of the Company's Bye-Laws. **[See Explanatory Note (i)]** **[Resolution 4]**
5. To re-elect Mr Koji Miura, a Director who retires pursuant to Article 104 of the Company's Bye-Laws. **[See Explanatory Note (ii)]** **[Resolution 5]**
6. To re-elect Mr Stephen Ho ChiMing, a Director who retires pursuant to Article 107 of the Company's Bye-Laws. **[See Explanatory Note (iii)]** **[Resolution 6]**
7. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorize the Directors to fix their remuneration. **[Resolution 7]**

As Special Business

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

8. Authority to allot and issue shares

THAT pursuant to Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue whether by way of rights, bonus or otherwise (i) shares; (ii) convertible securities; (iii) additional convertible securities (where an adjustment to the number of convertible securities to which a holder is originally entitled to, is necessary as a result of any rights, bonus or other capitalization issues by the Company), notwithstanding that such authority may have ceased to be in force at the time such additional convertible securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a shareholder does not receive; and/or (iv) shares arising from the conversion of securities in (ii) and additional convertible securities in (iii) above, notwithstanding that such authority may have ceased to be in force at the time the shares are to be issued, and any such issue may be made at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit,

NOTICE OF ANNUAL GENERAL MEETING

PROVIDED THAT:-

- (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the total number of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of the issued shares (excluding treasury shares and subsidiary holdings) of the Company;
- (ii) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of this Resolution, the percentage of the issued share capital shall be based on the Company's total number of the issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance to subparagraph (ii)(a) and (ii)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws for the time being of the Company; and
- (iv) (Unless revoked or varied by the Company in a general meeting) such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (iv)] **[Resolution 8]**

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

9. Amendments to the Company's bye-laws

THAT:

- (i) the proposed amendments to the bye-laws of the Company in the manner and to the extent set out in the circular to shareholders dated 22 July 2020 ("Circular") be and are hereby approved; and
- (ii) the Directors and/or any of them be and are/is hereby authorized to complete and do all such acts and things (including executing such documents as may be required, approving and making any subsequent amendment, alteration, or modification to the bye-laws of the Company to comply with the requirements of the Companies Act 1981 of Bermuda and the Companies Act (Chapter 50) of Singapore, and sign and file and/or submit any notices, forms, and documents with or to the relevant authorities) as they and/or he may consider expedient or necessary to give effect to this Special Resolution. **[See Explanatory Note (v)]** **[Resolution 9]**

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

By Order of the Board

Yap Wai Ming
Company Secretary
Singapore, 22 July 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes

- (i) **Resolution 4**, Mr Lee Wan Lik if re-elected, will remain as Chairman and Managing Director of the Company and a member of the Nominating Committee.
- (ii) **Resolution 5**, Mr Koji Miura, if re-elected, will remain as Chairman of the Audit Committee and a Member of the Remuneration Committee. Mr Koji Miura has no relationship (including immediate family relationships) with the rest of the Directors, the Company, its related corporation, its 10% shareholders or its officers. The Board considers Mr Koji Mura to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
- (iii) **Resolution 6**, Mr Stephen Ho ChiMing, if re-elected, will remain as Chairman of the Remuneration Committee and a Member of the Audit and Nominating Committees. Mr Stephen Ho ChiMing has no relationship (including immediate family relationships) with the rest of the Directors, the Company, its related corporation, its 10% shareholders or its officers. The Board considers Mr Stephen Ho ChiMing to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
- (iv) **Resolution 8**, if passed, will authorize the Directors of the Company to allot and issue shares and convertible securities in the capital of the Company up to an amount not exceeding 50% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), of which up to 20% may be issued other than on a pro-rata basis to the shareholders of the Company. The Company cannot rely on the authority given under Resolution 8 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.
- (v) **Resolution 9**, if passed, will authorize the Company to conduct virtual meetings by electronic means even after the alternative arrangements prescribed under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 have been lifted.

IMPORTANT INFORMATION

Shareholders of the Company ("Shareholders") should take note of the following arrangements for the AGM:

- (a) **Attendance in Person:** The AGM will be conducted only by electronic means and Shareholders will not be able to physically attend the AGM. The proceedings of the AGM will be broadcasted through a "live" webcast comprising both video (audiovisual) and audio-only feeds the ("Convene-eAGM"). Please pre-register for the Convene-eAGM at the URL: <https://agm.conveneagm.com/azeusagm2020> if you wish to attend the AGM.
- (b) **Live Audiovisual and Audio-only Webcast Stream:** All Shareholders as well as investors who hold shares through relevant intermediaries (as defined in Section 181(1C) of the Companies Act ("Investors") (including Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") ("CPF/SRS investors")) who wish to follow the proceedings of the AGM must pre-register online at the URL: <https://agm.conveneagm.com/azeusagm2020> for verification purposes. Following verification, an email will be sent to you via the e-mail address provided on pre-registration. Please use the registered identification credentials to access Convene-eAGM.

While there is no cut-off date or timing for such pre-registration prior to the AGM, Shareholders and Investors are encouraged to complete the pre-registration in advance of the AGM to ensure that they receive the registered identification credentials to access the Convene-eAGM in a timely manner.

If you have any queries on Convene-eAGM, please email support@conveneagm.com, or call the Singapore toll-free telephone number 800-852-3335.

(c) Questions Relating to the Agenda of the AGM:

- i. Submitting questions in advance of the AGM

Shareholders and Investors can submit questions in advance relating to the business of the AGM either (i) via electronic mail to support@conveneagm.com or (ii) via the pre-registration website at the URL: <https://agm.conveneagm.com/azeusagm2020>. Questions submitted in this manner must be submitted **not less than forty-eight (48) hours** before the time appointed for the holding of the AGM. The Company will endeavour to respond to substantial and relevant questions received from Shareholders via SGXNET and the Company's website prior to the AGM, or during the AGM.

- ii. Shareholders and Investors who pre-registered and are verified to attend the AGM proceedings via Convene-eAGM in accordance with paragraph (b) above will be able to ask questions relating to the agenda of the AGM during the AGM by:

- a. Submitting text-based questions via Convene-eAGM by clicking the "Ask a Question" feature and then clicking "Type Your Question" to input their queries in the questions text box. The Company will endeavour to respond to Shareholders' and Investors' questions during the AGM as far as reasonably practicable; or

NOTICE OF ANNUAL GENERAL MEETING

- b. Clicking the “Ask a Question” feature and then clicking the “Queue for Video call” via Convene-eAGM. The relevant shareholder will be informed once it is appropriate for him/her to speak and can thereafter raise his/her question via audiovisual or audio means during the AGM within a certain prescribed time limit.

Where there are substantially similar questions the Company will consolidate such questions; consequently not all questions may be individually addressed.

(d) **Voting:**

- i. Live Voting: Shareholders (excluding Investors) may cast their votes in real time for each resolution to be tabled via Convene-eAGM, unique access details of which will be provided to you in an email following pre-registration. As the developer of Convene-eAGM, the Company would like to offer Shareholders (excluding Investors) the opportunity to cast their votes via the live voting feature.

As specified in paragraph (e) below, Investors (including CPF/SRS investors) should instead approach their respective relevant intermediary as soon as possible to specify voting instructions.

- ii. Voting via appointing Chairman as Proxy: As an alternative to the above, Shareholders (excluding Investors) may also vote at the AGM by appointing the Chairman as proxy to vote on their behalf. Duly completed Proxy Forms must be deposited (i) via electronic mail to our Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at srs.teamd@boardroomlimited.com (e.g. a clear scanned signed form in PDF), or (ii) via the pre-registration website URL: <https://agm.conveneagm.com/azeusagm2020>, and submitted **not less than forty-eight (48) hours** before the time appointed for the holding of the AGM. The Proxy Form can be downloaded from SGXNET or the Company’s website. In the Proxy Form, a Shareholder should specifically direct the proxy on how he/she is to vote for or vote against (or abstain from voting on) the resolutions to be tabled at the AGM.

If Shareholders wish to vote by proxy, please note that they may only appoint the Chairman as proxy in accordance with the instructions above.

- (e) **Investors who hold through Relevant Intermediaries (including CPF/SRS Investors):** Investors (including CPF/SRS investors) should not make use of the Proxy Form and should instead approach their respective relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to vote should approach their respective CPF Agent Bank / SRS Operator at least seven working days before the AGM (i.e. by 4 August, 2020), to ensure that their votes are submitted.

(f) **Access to documents or information relating to the AGM**

- i. Azeus’s Annual Report for the financial year ended 31 March 2020 has been published on the Company’s corporate website at the URL: <https://www.azeus.com/investors/annual-reports/> and on SGXNET.
- ii. All other documents and information relating to the business of the AGM (including the Proxy Form and the Circular) have been published on SGXNET at the URL: <https://www.sgx.com/securities/company-announcements> and the Company’s website at the URL: <https://www.azeus.com/category/announcements/>.

Printed copies will not be sent to Shareholders.

Further Updates

Shareholders should note that the manner of conduct of the AGM may be subject to further changes based on the evolving COVID-19 situation, any legislative amendments and any directives or guidelines from government agencies or regulatory authorities. Any changes to the manner of conduct of the AGM will be announced by the Company on SGXNET. Shareholders are advised to check SGXNET and the Company’s website regularly for further updates.

Notes:

1. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
2. A Depositor’s name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at forty-eight (48) hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting. If a Depositor 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 in the manner set out under the section titled “IMPORTANT INFORMATION”.
3. The instrument appointing a proxy must be signed by the appointer or his/her attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy, failing which the instrument may be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

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

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Registration Number: 35312