

AZEUS SYSTEMS HOLDINGS LTD.

Unaudited Full Year Financial Statement and Dividend Announcement for the year ended 31 March 2016

Part I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Azeus Systems Holdings Ltd.

1(a)(i) **Consolidated Income Statement for the financial year ended 31 March 2016**
(Expressed in Hong Kong Dollars)

	The Group		
	2016	2015	+ / (-)
	HK\$'000	HK\$'000	%
Sales	111,788	124,980	(11)
Cost of sales	(74,698)	(79,756)	(6)
	=====	=====	
Gross profit	37,090	45,224	(18)
Other income	314	227	38
Arbitration legal fee compensation	8,750	-	N/A
Other losses - net	(418)	(2,269)	(82)
Selling and marketing expenses	(14,211)	(6,505)	118
Administrative and other operating expenses	(28,697)	(29,680)	(3)
	=====	=====	
Profit before tax	2,828	6,997	(60)
Income tax expense	(1,485)	(3,307)	(55)
	=====	=====	
Profit attributable to equity holders of the Company	1,343	3,690	(64)
	=====	=====	
Earnings per share (basic and diluted)	4.48 cents	12.30 cents (Restated)	See Note 1d(ii)
	=====	=====	

1(a)(ii) Statement of Comprehensive Income for the financial year ended 31 March 2016
(Expressed in Hong Kong Dollars)

	The Group		
	2016	2015	+ / (-)
	HK\$'000	HK\$'000	%
Profit attributable to equity holders of the Company	1,343	3,690	(64)
<u>Other comprehensive income</u>			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation – (losses) / gains	(168)	1,162	(114)
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Actuarial gains / (losses) on defined retirement benefits – net of tax	772	(2,410)	132
Other comprehensive income / (loss), net of tax	604	(1,248)	148
Total comprehensive income attributable to equity holders of the Company	1,947	2,442	(20)

1(a)(iii) Note to Income Statement for the financial year ended 31 March 2016

(Expressed in Hong Kong Dollars)

Expenses included in cost of sales, selling and marketing expenses and administrative and other operating expenses are analysed as follows:			
	2016	2015	+ / (-)
	HK\$'000	HK\$'000	%
Depreciation of property, plant and equipment	(356)	(423)	(16)
Amortisation of intangible assets	(4,293)	(840)	411
Legal and professional fee	(1,776)	(2,301)	(23)
Rental expense – operating lease	(5,944)	(6,020)	(1)
Employee benefits (including directors remuneration)	(80,261)	(86,751)	(7)
Retirement benefit expense	(1,497)	(1,157)	29
Hardware and software	(6,114)	(961)	536
Repairs and maintenance	(9,531)	(8,072)	18
Provision for doubtful debts and other receivables	(1,674)	(1,824)	8
Other expenses	(6,160)	(7,592)	(19)
	=====	=====	
Total cost of sales, selling and marketing and administrative and other operating expenses	(117,606)	(115,941)	1
	=====	=====	

Income tax			
Current income tax	(1,339)	(3,414)	(61)
Deferred income tax	86	59	46
(Under) / over provision of tax in prior years	(232)	48	(583)
	=====	=====	
Income tax expenses	(1,485)	(3,307)	(55)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Azeus Systems Holdings Ltd.
Balance Sheet as at 31 March 2016
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	31 March 2016	31 March 2015	+ / (-)	31 March 2016	31 March 2015	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets						
Cash and cash equivalents	64,562	59,617	8	2,383	1,591	50
Pledged bank deposits	3,789	3,775	-	-	-	-
Trade and other receivables	17,608	21,220	(17)	55,430	57,339	(3)
Inventories	349	5,809	(94)	-	-	-
Unbilled revenue on service contracts	22,618	33,198	(32)	-	-	-
Other current assets	2,446	40	6,015	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	111,372	123,659	(10)	57,813	58,930	(2)
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Non-current assets						
Investment in subsidiaries	-	-	-	50,406	50,423	-
Property, plant and equipment	980	758	29	-	-	-
Intangible assets	13,243	5,204	154	-	-	-
Deferred tax assets	952	938	1	-	-	-
Refundable deposit	388	369	5	-	-	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
	15,563	7,269	114	50,406	50,423	-
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Total assets	126,935	130,928	(3)	108,219	109,353	(1)
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	

Azeus Systems Holdings Ltd.
Balance Sheet as at 31 March 2016
(Expressed in Hong Kong Dollars)
(Continued)

	<u>The Group</u>			<u>The Company</u>		
	31 March 2016	31 March 2015	+ / (-)	31 March 2016	31 March 2015	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities						
Trade and other payables	11,177	16,935	(34)	1,264	1,498	(16)
Deferred revenue - current	3,656	-	N/A	-	-	-
Current income tax liabilities	140	228	(39)	-	-	-
	—————	—————		—————	—————	
	14,973	17,163	(13)	1,264	1,498	(16)
	—————	—————		—————	—————	
Non-current liability						
Deferred revenue – non current	163	-	N/A	-	-	-
Provision for defined retirement benefit	8,840	9,063	(2)	-	-	-
	—————	—————		—————	—————	
	9,003	9,063	(1)	-	-	-
	—————	—————		—————	—————	
Total liabilities	23,976	26,226	(9)	1,264	1,498	(16)
	—————	—————		—————	—————	
Net assets	102,959	104,702	(2)	106,955	107,855	(1)
	—————	—————		—————	—————	
Total Equity:						
Share capital	46,800	46,800	-	46,800	46,800	-
Share premium	56,489	56,489	-	56,726	56,726	-
Foreign currency translation reserve	1,108	1,276	(13)	-	-	-
Other reserves	1,328	1,328	-	-	-	-
Defined retirement benefits	(5,710)	(6,482)	(12)	-	-	-
Retained earnings	2,944	5,291	(44)	3,429	4,329	(21)
	—————	—————		—————	—————	
	102,959	104,702	(2)	106,955	107,855	(1)
	—————	—————		—————	—————	

1(b)(ii) Aggregate amount of group's borrowings and debt securities

The Group had no bank borrowings or debt securities as at 31 March 2016 and 31 March 2015.

1(c) A cash flow statement (for the group), together with a comparative statement for corresponding period of the immediately preceding financial year

Consolidated Statement of Cash Flows for the financial year ended 31 March 2016

	<u>The Group</u>	
	2016	2015
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit attributable to equity holders of the Company	1,343	3,690
Adjustments for:		
Income tax expense	1,485	3,307
Depreciation of property, plant and equipment	356	423
Amortisation of intangible assets	4,293	840
Interest income	(28)	(155)
Retirement benefit expense	1,497	1,157
Exchange differences	65	(27)
	=====	=====
Operating cash flow before working capital change	9,011	9,235
Changes in working capital		
Pledged bank deposits	(14)	3,465
Trade and other receivables	3,539	(8,554)
Unbilled revenue on service contracts	10,365	3,779
Refundable deposits	(19)	(23)
Inventories	5,460	(5,362)
Trade and other payables	(5,875)	(241)
Provision for defined retirement benefits	(1,034)	(813)
Deferred revenue	3,741	-
	=====	=====
Cash generated from operations	25,174	1,486
Income tax paid	(3,907)	(3,198)
	=====	=====
Net cash generated from / (used in) operating activities	21,267	(1,712)

1(c) A cash flow statement (for the group), together with a comparative statement for corresponding period of the immediately preceding financial year
(continued)

Consolidated Statement of Cash Flows for the financial year ended 31 March 2016 (continued)

	<u>The Group</u>	
	2016	2015
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchases of property, plant and equipment	(643)	(477)
Additions of intangible assets	(12,332)	(6,044)
Disposal of equipment	-	6
Interest received	28	155
	=====	=====
Net cash used in investing activities	(12,947)	(6,360)
Cash flows from financing activities		
Dividends paid to shareholders	(3,690)	(18,630)
	=====	=====
Cash used in financing activities	(3,690)	(18,630)
Net increase / (decrease) in cash and cash equivalents	4,630	(26,702)
Cash and cash equivalents at the beginning of the financial year	59,617	85,542
Effects of currency translation on cash and cash equivalents	315	777
	=====	=====
Cash and cash equivalents at the end of the financial year	64,562	59,617
	=====	=====

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity for the financial year ended 31 March 2016

	Share Capital	Share Premium	Foreign Currency Translation Reserve	Other Reserves	Defined Retirement Benefits	Retained Profits	Total Equity
Group	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2015	46,800	56,489	1,276	1,328	(6,482)	5,291	104,702
Profit attributable to equity holders of the Company	-	-	-	-	-	1,343	1,343
Other comprehensive (loss) / income	-	-	(168)	-	772	-	604
Total comprehensive (loss) / income	-	-	(168)	-	772	1,343	1,947
FY2015 final dividends paid	-	-	-	-	-	(3,690)	(3,690)
Balance as at 31 March 2016	46,800	56,489	1,108	1,328	(5,710)	2,944	102,959
Balance as at 1 April 2014	46,800	56,489	114	1,328	(4,072)	20,231	120,890
Profit attributable to equity holders of the Company	-	-	-	-	-	3,690	3,690
Other comprehensive income / (loss)	-	-	1,162	-	(2,410)	-	(1,248)
Total comprehensive income / (loss)	-	-	1,162	-	(2,410)	3,690	2,442
FY2014 final dividends paid	-	-	-	-	-	(18,630)	(18,630)
Balance as at 31 March 2015	46,800	56,489	1,276	1,328	(6,482)	5,291	104,702

Statement of Changes in Equity for the financial year ended 31 March 2016 (continued)

	Share Capital	Share Premium	Retained Profits	Total Equity
Company	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2015	46,800	56,726	4,329	107,855
Total comprehensive income for the year	-	-	2,790	2,790
FY2015 final dividends paid	-	-	(3,690)	(3,690)
	<u>46,800</u>	<u>56,726</u>	<u>3,429</u>	<u>106,955</u>
Balance as at 31 March 2016	46,800	56,726	3,429	106,955
	<u>46,800</u>	<u>56,726</u>	<u>20,363</u>	<u>123,889</u>
Balance as at 1 April 2014	46,800	56,726	20,363	123,889
Total comprehensive income for the year	-	-	2,596	2,596
FY2014 final dividends paid	-	-	(18,630)	(18,630)
	<u>46,800</u>	<u>56,726</u>	<u>4,329</u>	<u>107,855</u>
Balance as at 31 March 2015	46,800	56,726	4,329	107,855

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

On 27 July 2015, the Board of Directors announced that the Share Consolidation of every ten (10) ordinary shares with a par value of US\$0.02 each in the authorised and issued capital of the Company into one (1) ordinary share with the par value of US\$0.20 has been completed, fractional entitlements to be disregarded. Accordingly, the issued share capital of the Company now comprises of 29,999,993 Consolidated Shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 March 2016, share capital of the Company comprises 29,999,993 ordinary shares (FY2015: 300,000,000). There were no treasury shares held by the Company at 31 March 2016 and 2015.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited, or reviewed, the auditor's report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Company and the Group have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period with those for the audited financial statements for the year ended 31 March 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

On 1 April 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provision in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividend.**

Earnings per share for the year ended 31 March 2016

	<u>The Group</u>	
	2016	2015
Net profit of the Group (HK\$'000)	1,343	3,690
Weighted average number of shares ('000)	(See note 1d(ii)) 30,000	(See note 1d(ii)) 30,000
- Basic earnings per share (HK cents)	4.48	12.30
- Fully diluted earnings per share (HK cents)	4.48	12.30

Fully diluted earnings per share is similar to the basic earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 31 March 2016 and 31 March 2015.

Note: On 27 July 2015, a Share Consolidation of 10 existing shares for one new share completed thereby reducing the number of shares in issue. For the purposes of this note, the comparative numbers for the prior year have been adjusted as though the Share Consolidation had taken place last year to enable direct comparison. The earnings per ordinary share of the Group without share consolidation and as reported at 31 March 2015 was HK cents 1.23 per ordinary share.

7. **Net asset value (for the issuer and the group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year.**

Net Asset Value Per Share

	<u>The Group</u>		<u>The Company</u>	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the existing share capital as at the end of the financial year.	3.43	3.49	3.57	3.60

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 29,999,993 (FY2015: 29,999,993). For details, please refer to note 1 d(ii).

Note: On 27 July 2015, a Share Consolidation of 10 existing shares for one new share completed thereby reducing the number of shares in issue. For the purposes of this note, the comparative

numbers for the prior year have been adjusted as though the Share Consolidation had taken place last year to enable direct comparison. The net asset value per ordinary share of the Group and Company without share consolidation and as reported at 31 March 2015 was HK cents 34.90 per share and HK cents of 35.95 respectively.

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; (b) any material factors that affected the cash flow, working capital, assets or liabilities, of the group during the current financial period reported on.**

Income statement

a. Revenue

	2016	2015	+ / (-)
	HK\$'000	HK\$'000	%
Professional IT Services			
IT Services, including sales of third party hardware and software	41,696	54,025	(23)
Maintenance and Support Services	62,702	54,354	15
Business Process Outsourcing (BPO)	-	8,661	N/A
	_____	_____	
Total Professional IT Services Revenue	104,398	117,040	(11)
Azeus Product Sales	7,390	7,940	(7)
	_____	_____	
Total Revenue	111,788	124,980	(11)

The Group derives its revenue from two operating segments – Professional IT Services and Azeus Product Sales. Professional IT Services includes three core business areas, IT services, maintenance and support services, and business process outsourcing (BPO).

Group revenue decreased by 10.6% to HK\$111.8 million for FY 2016 as compared to HK\$125.0 million in FY 2015.

IT Services accounted for 37.3% of total revenue for FY 2016 (FY 2015: 43.2%). Revenue from IT services decreased by HK\$12.3 million or 22.8% due to fewer contracts secured and implemented in FY 2016.

Revenue from maintenance and support services increased by 15.4% to HK\$62.7 million in FY 2016 from HK\$54.4 million in FY 2015. This business segment accounted for 56.1% (FY 2015: 43.5%) of total revenue in FY 2016.

The contract for BPO ended on 30 Nov 2014 and was not renewed, therefore, there was no revenue contributing to this business area.

Azeus Product Sales accounts for 6.6% of the total revenue and has decreased by 6.9%. The revenue is contributed by the sale of two proprietary products and its professional services, "Azeus Convene" and "AzeusCare". We developed and commercialised both Azeus Products. The Company derives its revenues from two sources i.e. the subscription revenues from customers and the related professional services such as project management, implementation services and training fees etc.

Subscription revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date the Company's service is made available to customers.

b. Cost of sales and gross profit margin

Cost of sales mainly consists of direct expenses related to direct employee salaries for delivering our service and providing the support, cost of third party hardware and software products to be used in IT services implementation projects, hosting the Group's cloud-based application and cost of subcontractor and consultancy services and amortization of intangible assets.

The Group's cost of sales decreased by HK\$5.1 million or 6.3% to HK\$74.7 million in FY 2016 due to decrease in direct salaries for delivering of implementation services as there were less IT services projects secured in this financial year. In addition, the contract for BPO ended on 30 Nov 2014 and was not renewed, which contributed to a HK\$5.7 million decrease in the direct salaries. The amount was offset by an increase in the amortization of intangible assets by HK\$3.5 million.

Overall, the Group was able to achieve a gross profit margin at 33.2% in FY 2016 as compared to 36.2% at FY 2015.

c. Other income and other losses – net

	2016	2015	+ / (-)
	HK\$'000	HK\$'000	%
Arbitration legal fee compensation	8,750	-	N/A
Subtotal	8,750	-	N/A
Other income comprise of:			
Interest income	28	155	(82)
Sundry income	286	72	297
Subtotal	314	227	38
Other losses - net comprised of:			
Net foreign exchange loss	(418)	(2,269)	(82)
Subtotal	(418)	(2,269)	(82)

As disclosed subsequently after FY 2015, the proceeding regarding the legal costs associated with the arbitration was settled in favor of the Group on 15 April 2015. A settlement was made between the Group and the customer with a payment of HK\$8.8 million received in FY 2016. This amount was recognized as other income in FY 2016.

d. Selling and marketing expenses

Selling and marketing expenses are one of our largest costs and consist primarily of salaries and related expenses, and marketing programs. Marketing programs consist of advertising, trade shows and events, corporate communications, brand building and product marketing activities.

Selling and marketing expenses increased by 118.5% or HK\$7.7 million to HK\$14.2 million in FY 2016 as compared to HK\$6.5 million in FY 2015 as the Group increased the selling and marketing activities for our cloud-based offering. Amount was used to expand our global sales team and increased sales and marketing efforts for lead generation.

e. Administrative and other operating expenses

Administrative and other operating expenses comprising mainly of legal and professional fee, Directors' fees, audit fee, rent and rates and other operating expense decreased by

3.3% or HK\$1.0 million in FY 2016.

f. Net profit after taxation

Excluding the one-off arbitration legal fee compensation of HK\$8.8 million, the Group's net profit decreased from a net profit of HK\$3.7 million FY 2015 to a net loss of HK\$7.4 million in FY 2016 mainly due to fewer contracts secured and implemented in FY 2016 as well as increase expenses in selling and marketing for Azeus Products.

Balance sheet

a. Unbilled revenue on service contracts

Unbilled revenue on service contracts decreased by HK\$10.6 million due to the completion of major IT services projects on hand. The relevant milestones payments were reached, accepted and paid by customers near end of FY 2016.

b. Trade and other receivables

Trade and other receivables decreased by 17.0% from HK\$21.2 million to HK\$17.6 million were due to decrease in sales for the year. All the net trade receivables as of 31 March 2016 are considered recoverable.

c. Inventories

Inventories comprise of third party hardware and software products to be used in IT services implementation projects under the relevant contract terms. The balance represents items that were delivered and which customers have not completed the corresponding acceptance tests. Therefore, the relevant revenue associated with these hardware and software products have not been recognised. Inventory decreased from HK\$5.8 million to HK\$0.3 million as products were subsequently installed and accepted by customers in FY 2016.

d. Intangible assets – development cost of Azeus Products

Costs include payroll related costs of employees directly attributable to the development of two proprietary products (i.e. Azeus Convene and AzeusCare) are capitalised as intangible assets. Additional amount of intangible assets of HK\$12.3 million was capitalised and amortisation of HK\$4.3 million was recognised resulted in a net increase of HK\$8.0 million in FY 2016. The Group is continuously improving its Azeus Products. These are costs directly attributable to the development of new features, upgrades and

enhancements of Azeus Products.

e. Deferred Revenue

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscription services and are recognised as the revenue recognition criteria are met. The Company generally invoices customers in annual installments. Deferred revenue that will be recognised during the succeeding twelve months period is recorded as current deferred revenue while more than 12 months is recorded as non-current. Deferred revenue has increased to HK\$3.8 million due to collections from more subscription agreements entered into near the year-end, while revenue is not earned yet.

f. Share capital and reserves

The Group's shareholders' equity for FY 2016 decreased slightly from HK\$104.7 million in FY 2015 to HK\$103.0 million mainly due to the payment of FY2015 final dividend of HK\$3.7 million, which was offset by profit generated from operations of HK\$1.3 million in FY2016.

Cash flow statement

For the year ended 31 March 2016, the Group's net cash generated from our operations was HK\$21.3 million. The cash inflow from operations increased was due to the decrease of unbilled revenue and accounts receivables and increase in deferred revenue. Cash used in financing activities was primarily for the payment of FY 2015 final dividend of HK\$3.7 million in September 2015. Overall, the Group is still able to improve and maintain a healthy cash position of HK\$68.4 million in FY 2016, including HK\$3.8 million as pledged deposits. The Group has no debts and bank borrowings.

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

The Group issued profit guidance for FY 2016 on 12 November 2015, in which it stated that profits for FY 2016 were expected to be lower than FY 2015 on year to year basis. The financial results for the financial year ended 31 March 2016 were consistent with the statements made in the profit guidance.

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

The Group received a one-off legal fee compensation of HK\$8.8 million for an arbitration with a customer and this significantly contributed to the profit for this year.

IT market conditions in Hong Kong will remain challenging in view of less open tenders, uncertain macroeconomic developments and existing government regulations. Revenue from the Professional IT Services business is expected to be lower in FY 2017. Nevertheless, the Group's core business fundamentals remain sound.

On the other hand, the Azeus Products business serves as the growth engine of the Group. We have made very good progress in our software products and have secured clients in both the private and the public sectors in over 30 countries. We plan to continue investing in marketing and sales efforts by expanding our domestic and international sales and marketing activities, building brand awareness, attracting new customers and sponsoring more marketing events. We will also continue to build our capacity in this business segment and make aggressive investment in our products to boost its growth.

Barring unforeseen circumstance, the Group remains cautious about the outlook of FY 2017.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

A first and final dividend (Tax Not Applicable) of 4.47 HK cents per ordinary share will be recommended for this financial year ended 31 March 2016. The aforementioned dividend will be subject to shareholders' approval in the upcoming Annual General Meeting on 8 July 2016. It has not been included as a liability in these financial statements. It is proposed that the final dividend be paid after approval has been obtained.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

A final dividend (Tax Not Applicable) was recommended and approved in respect of financial year ended 31 March 2015 of 1.23 HK cents. The final dividend amounting to HK\$3.69 million was



paid in August 2015.

(c) *Date payable*

To be announced later.

(d) *Books closure date*

To be announced later.

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

Not applicable.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Management has evaluated the operating segments based on the reports reviewed by the chief operating decision makers (CODM) to make strategic decisions. The CODM consist of the Managing Director, Executive Directors and Senior Management.

The CODM considers the Group to have 2 operating segments which are the provision of Professional Information Technology Services (“Professional IT Services”) and sale of proprietary products (Azeus Product Sales”). There are 3 major revenue streams under Professional IT Services: “IT Services, including sales of third party hardware and software”, “Maintenance and Support Services” and “Business Process Outsourcing” as the services and customers are similar in nature. The CODM assess the performance of the operating segments based on a measure of gross profit less selling and marketing expenses.

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to note 8.

15. Segment Information (unaudited)

	Professional IT Services		Azeus Product Sales		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	104,398	117,040	7,390	7,940	111,788	124,980
Segment results	35,529	38,531	(12,650)	213	22,879	38,744
Provision for impairment of trade receivables	(1,301)	(1,253)	(31)	-	(1,332)	(1,253)
Provision for doubtful debts on unbilled revenue on service contracts	-	(571)	-	-	-	(571)
Unallocated income / (expenses):						
Other income	-	-	-	-	9,064	227
Other losses - net	-	-	-	-	(418)	(2,269)
Depreciation of property, plant and equipment	-	-	-	-	(356)	(423)
Legal and professional fee	-	-	-	-	(1,776)	(2,301)
Rental expense – operating lease	-	-	-	-	(5,944)	(6,020)
Retirement benefit expense	-	-	-	-	(1,497)	(1,157)
Fees on audit services	-	-	-	-	(1,371)	(1,439)
Administrative salaries	-	-	-	-	(5,812)	(5,221)
Insurance	-	-	-	-	(1,527)	(1,661)
Directors compensation	-	-	-	-	(1,273)	(1,421)
Others expense	-	-	-	-	(7,809)	(8,238)
					=====	=====
Profit before tax	-	-	-	-	2,828	6,997
Income tax expense	-	-	-	-	(1,485)	(3,307)
					=====	=====
Profit attributable to equity holders of the Company	-	-	-	-	1,343	3,690

15. Segment Information (unaudited) (continued)

	Professional IT Services		Azeus Products Sales		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities						
Segment assets	27,789	49,853	19,489	6,227	47,278	56,080
Unallocated assets	-	-	-	-	79,657	74,848
Total assets	-	-	-	-	126,935	130,928
Segment liabilities	5,388	6,730	4,593	-	9,981	6,730
Unallocated liabilities	-	-	-	-	13,995	19,496
Total liabilities	-	-	-	-	23,976	26,226

CODM monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Assets and liabilities are managed on a group basis and are not allocated to operating segments except for trades receivable, unbilled revenue on service contracts, intangible assets, advances received from customers and deferred revenue as they cannot be directly attributable to individual segments and it is impractical to arbitrarily allocate them to the segments.

Geographical segments

Revenue information is based on the geographical location of customers.

	Revenue	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	101,339	114,256
United Kingdom	9,324	9,116
Others	1,125	1,608
Total	111,788	124,980

A total of HK\$101.3 million, 90.6% of total revenue (FY 2015: HK\$114.2 million, 91.4% of total revenue) from external customers is derived from the provision of IT services to the public sector of Hong Kong Government.

15. Segment Information (unaudited) (continued)

Segment non-current assets are based on the geographical location of the assets.

	Non-current assets	
	FY 2016	FY 2015
	HK\$'000	HK\$'000
Hong Kong	366	261
United Kingdom	60	64
Philippines	1,894	1,740
Bermuda (corporate)	13,243	5,204
Total	15,563	7,269

*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.

16. A breakdown of sales

	The Group		
	2016	2015	+ / (-)
	HK\$'000	HK\$'000	%
Sales reported for first half year	45,622	60,587	(25)
Net profit after tax for first half year	3,724	2,328	60
Sales reported for second half year	66,166	64,393	3
Net profit after tax for second half year	(2,381)	1,362	(275)

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full financial year and its previous full financial year.

	The Group		
	2016	2015	+ / (-)
	HK\$'000	HK\$'000	%
Ordinary (note 11)	1,343	3,690	(64)
Preference	N/A	N/A	N/A
Total	1,343	3,690	(64)

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Lee Wan Lik	54	Spouse of Ms Lam Pui Wan, Executive Director	<p>Managing Director of the Company with effect from 12 May 2004.</p> <p>Director of Azeus Systems Limited, Hong Kong, a wholly-owned subsidiary of the Company, with effect from 15 January 1991.</p> <p>Director of Azeus Systems Philippines Inc., a wholly-owned subsidiary of the Company, with effect from 15 July 1994.</p> <p>Director of Azeus Systems Manila (BVI) Ltd, a wholly-owned subsidiary of the Company, with effect from 12 May 2004.</p> <p>Director of BigontheNet Pte Ltd., a wholly-owned subsidiary of the Company, with effect from 17 February 2005.</p> <p>Director of Azeus UK Ltd., a wholly-owned subsidiary of the Company, with effect from 25 May 2010.</p> <p>Director of Azeus Pty Ltd., a wholly-owned subsidiary of the Company, with effect from 12 February 2015.</p>	N.A.
Lam Pui Wan	56	Spouse of Mr Lee Wan Lik, Managing Director	<p>Executive Director of the Company with effect from 12 May 2004.</p> <p>Director of Azeus Systems Limited, Hong Kong, a wholly-owned subsidiary of the Company, with effect from 15 January 1991.</p> <p>Director of Azeus Systems Manila (BVI) Ltd, a wholly-owned subsidiary of the Company, with effect from 12 May 2004.</p>	N.A.

19. If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate obtained.

20. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in format set out in Appendix 7.7) under Rule 720 (1) of the SGX-ST Listing Manual.

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

LEE WAN LIK

MANAGING DIRECTOR

30 May, 2016