

AZEUS SYSTEMS HOLDINGS LTD.

Unaudited Full Year Financial Statement and Dividend Announcement for the year ended 31 March 2017

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 2017

(Expressed in Hong Kong Dollars)

	The Group		
	2017	2016	+ / (-)
	HK\$'000	HK\$'000	%
Sales	97,893	111,788	(12)
Cost of sales	(72,419)	(74,698)	(3)
Gross profit	25,474	37,090	(31)
Other income	525	314	67
Arbitration legal fee compensation	-	8,750	N/A
Other losses - net	(4,943)	(418)	1,083
Selling and marketing expenses	(16,218)	(14,211)	14
Administrative and other operating expenses	(26,123)	(28,695)	(9)
(Loss) / profit before tax	(21,285)	2,830	(852)
Income tax expense	(322)	(1,485)	(78)
(Loss) / profit attributable to equity holders of the Company	(21,607)	1,345	(1,706)
(Loss) / earnings per share (basic and diluted)	(72.02) cents	4.48 cents	

1(a)(ii) Statement of Comprehensive Income for the financial year ended 31 March 2017
(Expressed in Hong Kong Dollars)

	The Group		
	2017	2016	+ / (-)
	HK\$'000	HK\$'000	%
(Loss) / profit attributable to equity holders of the Company	(21,607)	1,345	(1,706)
<u>Other comprehensive income</u>			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation – gains	3,523	172	1,948
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Actuarial (losses) / gains on defined retirement benefits – net of tax	(1,738)	432	(502)
Other comprehensive income, net of tax	1,785	604	196
Total comprehensive (loss) / income attributable to equity holders of the Company	(19,822)	1,949	(1,117)

1(a)(iii) Note to Income Statement for the financial year ended 31 March 2017

(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:			
	2017	2016	+ / (-)
	HK\$'000	HK\$'000	%
Depreciation of property, plant and equipment	(400)	(356)	12
Amortisation of intangible assets	(8,679)	(4,293)	102
Legal and professional fee	(1,541)	(1,776)	(13)
Rental expense – operating lease	(6,519)	(5,944)	10
Employee benefits (including directors' remuneration)	(75,206)	(80,261)	(6)
Retirement benefit expense	(1,481)	(1,495)	(1)
Third party hardware and software	(786)	(6,114)	(87)
Repairs and maintenance	(9,335)	(9,531)	(2)
Provision for doubtful debts and other receivables	(254)	(1,674)	(85)
Sub-contracting fee	(3,101)	(1,446)	114
Other expenses	(7,458)	(4,714)	58
Total cost of sales, selling and marketing and administrative and other operating expenses	(114,760)	(117,604)	(2)

Income tax			
Current income tax	(388)	(1,353)	(71)
Deferred income tax	66	86	(23)
Under provision of tax in prior years	-	(218)	N/A
Income tax expenses	(322)	(1,485)	(78)

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 2017
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	31 March 2017	31 March 2016	+ / (-)	31 March 2017	31 March 2016	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets						
Cash and cash equivalents	38,856	64,562	(40)	644	2,383	(73)
Pledged bank deposits	2,249	3,789	(41)	-	-	-
Trade and other receivables	24,594	17,608	40	52,350	55,430	(6)
Inventories	1,423	349	308	-	-	-
Unbilled revenue on service contracts	19,016	22,618	(16)	-	-	-
Current income tax assets	1,580	2,446	(35)	-	-	-
	_____	_____		_____	_____	
	87,718	111,372	(21)	52,994	57,813	(8)
	_____	_____		_____	_____	
Non-current assets						
Investment in subsidiaries	-	-		50,386	50,406	-
Property, plant and equipment	983	980	-	-	-	-
Intangible assets	15,491	13,243	17	-	-	-
Deferred tax assets	1,124	952	18	-	-	-
Refundable deposit	1,398	388	260	-	-	-
	_____	_____		_____	_____	
	18,996	15,563	22	50,386	50,406	-
	_____	_____		_____	_____	
Total assets	106,714	126,935	(16)	103,380	108,219	(4)
	_____	_____		_____	_____	

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 2017	31 March 2016	+ / (-)	31 March 2017	31 March 2016	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities						
Trade and other payables	8,932	11,177	(20)	1,257	1,264	(1)
Deferred revenue	5,327	3,656	46	-	-	-
Current income tax liabilities	80	140	(43)	-	-	-
	14,339	14,973	(4)	1,257	1,264	(1)
Non-current liabilities						
Deferred revenue	133	163	(18)	-	-	-
Provision for defined retirement benefit	10,415	8,838	18	-	-	-
Other liabilities	29	-	N/A	-	-	-
	10,577	9,001	18	-	-	-
Total liabilities	24,916	23,974	4	1,257	1,264	(1)
Net assets	81,798	102,961	(21)	102,123	106,955	(5)
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	4,971	1,448	243	-	-	-
Other reserves	1,330	1,330	-	-	-	-
Defined retirement benefits	(7,788)	(6,050)	29	-	-	-
(Accumulated losses) / Retained profits	(20,004)	2,944	(779)	(1,403)	3,429	(141)
	81,798	102,961	(21)	102,123	106,955	(5)

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 2017 and 31 March 2016.

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 2017

	<u>The Group</u>	
	2017	2016
	HK\$'000	HK\$'000
Cash flows from operating activities		
(Loss) / Profit attributable to equity holders of the Company	(21,607)	1,345
Adjustments for:		
Income tax expense	322	1,485
Depreciation of property, plant and equipment	400	356
Amortisation of intangible assets	8,679	4,293
Interest income	(20)	(28)
Retirement benefit expense	1,481	1,495
	(10,745)	8,946
Changes in working capital		
Pledged bank deposits	1,540	(14)
Trade and other receivables	(5,079)	3,609
Unbilled revenue on service contracts	3,602	10,572
Refundable deposits	(1,010)	(19)
Inventories	(1,074)	5,460
Trade and other payables	(1,603)	(5,762)
Provision for defined retirement benefits	(1,835)	(1,240)
Deferred revenue	1,641	3,819
Cash (used in) / generated from operations	(14,563)	25,371
Income tax refund / (paid)	418	(4,068)
Net cash (used in) / generated from operating activities	(14,145)	21,303

- 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 2017 (continued)

	<u>The Group</u>	
	2017	2016
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchases of property, plant and equipment	(452)	(594)
Additions of intangible assets	(10,927)	(12,332)
Interest received	20	28
Net cash used in investing activities	(11,359)	(12,898)
Cash flows from financing activities		
Dividends paid to shareholders	(1,341)	(3,690)
Cash used in financing activities	(1,341)	(3,690)
Net (decrease) / increase in cash and cash equivalents	(26,845)	4,715
Cash and cash equivalents at the beginning of the financial year	64,562	59,617
Effects of currency translation on cash and cash equivalents	1,139	230
Cash and cash equivalents at the end of the financial year	38,856	64,562

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 2017

	Share Capital	Share Premium	Foreign Currency Translation Reserve	Other Reserves	Defined Retirement Benefits	(Accumulated losses) / Retained Profits	Total Equity
<u>Group</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2016	46,800	56,489	1,448	1,330	(6,050)	2,944	102,961
Loss attributable to equity holders of the Company	-	-	-	-	-	(21,607)	(21,607)
Other comprehensive (loss) / income	-	-	3,523	-	(1,738)	-	1,785
Total comprehensive (loss) / income	-	-	3,523	-	(1,738)	(21,607)	(19,822)
FY2016 final dividends paid	-	-	-	-	-	(1,341)	(1,341)
Balance as at 31 March 2017	46,800	56,489	4,971	1,330	(7,788)	(20,004)	81,798
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	-	-	-	-	-	1,345	1,345
Other comprehensive income / (loss)	-	-	172	-	432	-	604
Total comprehensive income / (loss)	-	-	172	-	432	1,345	1,949
Transfer from retained profits to other reserves	-	-	-	2	-	(2)	-
FY2015 final dividends paid	-	-	-	-	-	(3,690)	(3,690)
Balance as at 31 March 2016	46,800	56,489	1,448	1,330	(6,050)	2,944	102,961

Statement of Changes in Equity for the financial year ended 31 March 2017

	Share Capital	Share Premium	Retained Profits	Total Equity
<u>Company</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2016	46,800	56,726	3,429	106,955
Total comprehensive loss for the year	-	-	(3,491)	(3,491)
FY2016 final dividends paid	-	-	(1,341)	(1,341)
Balance as at 31 March 2017	46,800	56,726	(1,403)	102,123
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)
Balance as at 31 March 2016	46,800	56,726	3,429	106,955

- 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.**

Not applicable.

- 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 2017, share capital of the Company comprises 29,999,993 ordinary shares (FY2016: 29,999,993). There were no treasury shares held by the Company at 31 March 2017 and 2016.

- 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 2016.

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 2016, 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. **(Loss) / 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.**

(Loss) / Earnings per share for the year ended 31 March 2017

	The Group	
	2017	2016
(Loss) / Profit attributable to equity holders of the Company (HK\$'000)	(21,607)	1,343
Weighted average number of shares	29,999,993	29,999,993
- Basic (loss) / earnings per share (HK cents)	(72.02)	4.48
- Fully diluted (loss) / earnings per share (HK cents)	(72.02)	4.48

Fully diluted (loss) / 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 2017 and 31 March 2016.

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 2017	31 March 2016	31 March 2017	31 March 2016
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the existing share capital as at the end of the financial year.	2.73	3.43	3.40	3.57

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 29,999,993 (FY2016: 29,999,993).

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

	2017	2016	+ / (-)
	HK\$'000	HK\$'000	%
Professional IT Services			
IT Services, including sales of third party hardware and software	32,711	41,696	(22)
Maintenance and Support Services	53,325	62,702	(15)
Total Professional IT Services Revenue	86,036	104,398	(18)
Azeus Products	11,857	7,390	60
Total Revenue	97,893	111,788	(12)

The Group derives its revenue from two operating segments – Professional IT Services and Azeus Products. Professional IT Services includes two core business areas, IT services and maintenance and support services.

Group revenue decreased by 12.4% to HK\$97.9 million for FY 2017 as compared to HK\$111.8 million in FY 2016.

IT Services accounted for 33.4% of total revenue for FY 2017 (FY 2016: 37.3%). Revenue from IT services decreased by HK\$9.0 million or 21.5% due to decrease in sales of third party hardware and software by HK\$11.3 million in FY 2017. Excluding the third party hardware and software sales, the Group was able to achieve a 8.0% increase in IT Services revenue.

Revenue from maintenance and support services decreased by 15.0% or HK\$9.4 million in FY 2017 from HK\$62.7 million in FY 2016 to HK\$53.3 million in FY 2017. This business segment accounted for 54.5% (FY 2016: 56.1%) of total revenue in FY 2017. One major maintenance and support outsourcing contract ended at the beginning of this financial year and hence less revenue earned in FY2017.

Azeus Products account for 12.1% (FY 2016: 6.6%) of the total Group revenue and the revenue has increased by 60.8% from HK\$7.4 million in FY 2016 to HK\$11.9 million in FY2017. 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. Revenue is in the form of subscription revenues and the related professional services such as project management, implementation services and training fees etc.

Subscription revenues are recognised 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, while professional services are recognised by using the stage of completion method.

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 amortisation of intangible assets.

The Group's cost of sales decreased by HK\$2.3 million or 3.1% to HK\$72.4 million in

FY 2017 due to decrease in cost of third party hardware and software of HK\$5.3 million and direct salaries of HK\$4.2 million. The amount was also offset by an increase in consultancy fee of HK\$1.6 million.

Overall, the Group was able to achieve a gross profit margin at 26.0% in FY 2017 as compared to 33.2% at FY 2016.

c. Other income and other losses – net

	2017	2016	+ / (-)
	HK\$'000	HK\$'000	%
Arbitration legal fee compensation	-	8,750	N/A
Subtotal	-	8,750	N/A
Other income comprise of:			
Interest income	20	28	(29)
Sundry income	505	286	77
Subtotal	525	314	67
Other losses – net foreign exchange loss	(4,943)	(418)	1,083
Subtotal	(4,943)	(418)	1,083

The Group received a one-off legal fee compensation of HK\$8.8 million for an arbitration with a customer, which contributed significantly to the profit of FY 2016.

Net foreign exchange loss in FY2017 arose from the translation of net monetary assets denominated in foreign currencies especially in Great British Pound (“GBP”) at the closing rate at the balance sheet date. As at balance sheet date, GBP weakened against HKD by 12.9% (FY 2017: GBP 1 : HKD 9.7; FY 2016: GBP 1 : HKD 11.14)

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 14.1% or HK\$2.0 million to HK\$16.2

million in FY 2017 as compared to HK\$14.2 million in FY 2016. The Group increased the selling and marketing activities for Azeus Products business segment. Amount was used to expand our global sales team to focus on adding new customers.

e. Administrative and other operating expenses

Administrative and other operating expenses includes legal and professional fee, Directors' fees, audit fee, rent and rates and other operating expense. Amount has decreased by 9.0% or HK\$2.6 million in FY 2017.

f. Net (loss) / profit after taxation

Profit of FY 2016 included a one-off legal fee compensation income of HK\$8.8 million and material third party hardware and software sale income of HK\$6.2 million which contributed significantly to FY 2016 profit. There was a higher exchange loss of \$4.9 million in FY 2017. As a result, the Group reported a loss of HK\$21.6 million in FY 2017 as compared to a profit of HK\$1.3 million in FY 2016.

Balance sheet

a. Unbilled revenue on service contracts

Unbilled revenue on service contracts decreased by HK\$3.6 million due to the completion of major IT services projects on hand. The relevant milestones payments were reached, accepted and billings were made near the end of FY 2017.

b. Trade and other receivables

Trade and other receivables increased by 39.8% from HK\$17.6 million to HK\$24.6 million due to more billings issued near year end as several major project milestones were reached towards near year end. All the net trade receivables as of 31 March 2017 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 but pending the completion of the corresponding acceptance tests. Therefore, revenue associated with these hardware and software products have not been recognised.

d. Intangible assets – development cost of Azeus Products

Payroll related costs for employees who are directly involved in the development of new features, upgrades and enhancements of Azeus Products are capitalised as intangible assets. HK\$10.9 million capitalised and amortisation of HK\$8.7 million during FY 2017 resulted in a net increase of HK\$2.2 million in carrying value at the end of FY 2017.

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\$5.5 million from HK\$3.8 million due to more collections from subscription agreements were entered into near the year-end.

f. Share capital and reserves

The Group's shareholders' equity for FY 2017 decreased from HK\$102.9 million in FY 2016 to HK\$81.8 million mainly due to the payment of FY2016 final dividend of HK\$1.3 million and loss generated from operations of HK\$21.6 million in FY2017.

Cash flow statement

For the year ended 31 March 2017, the Group's net cash used in operations was HK\$14.1 million as opposed to HK\$21 million generated from operating activities in FY 2016. The decrease was due to the net loss from operating activities. Cash used in financing activities was primarily for the payment of FY 2016 final dividend of HK\$1.34 million in September 2016. 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 2017 on 11 October 2016, 14 November 2016 and 3 April 2017 and is to reporting a net loss for FY2017. The financial results for FY 2017 is 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.**

Although IT market condition in Hong Kong remains competitive, the Group is confident that the Professional IT services business is and will remain profitable.

We have made good progress in our Azeus Products business and its revenue has increased by 60% on a year to year basis. While it is not profitable yet, the Group has and will continue to invest significantly in the Azeus Products business.

Barring unforeseen circumstances, the Group remains cautious about the outlook of FY 2018.

11. **Dividend**

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

No.

(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 2016 of 4.47 HK cents. The final dividend amounting to HK\$1.34 million was paid in September 2016.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

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

No dividend has been declared and recommended for the financial year ended 31 March 2017.

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 Products). There are 3 major revenue streams under Professional IT Services: "IT Services, including sales of third party hardware and software", "Maintenance and Support Services" 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 Products		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	86,036	104,398	11,857	7,390	97,893	111,788
Segment results	30,975	35,529	(21,719)	(12,650)	9,256	22,879
Provision for impairment of trade receivables	-	(1,301)	-	(31)	-	(1,332)
Unallocated income / (expenses):						
Other income	-	-	-	-	525	9,064
Other losses - net	-	-	-	-	(4,943)	(418)
Depreciation of property, plant and equipment	-	-	-	-	(400)	(356)
Legal and professional fee	-	-	-	-	(1,541)	(1,776)
Rental expense – operating lease	-	-	-	-	(6,519)	(5,944)
Retirement benefit expense	-	-	-	-	(1,481)	(1,495)
Fees on audit services	-	-	-	-	(1,427)	(1,371)
Administrative salaries	-	-	-	-	(5,832)	(5,812)
Insurance	-	-	-	-	(1,387)	(1,527)
Directors compensation	-	-	-	-	(1,243)	(1,262)
Others expense	-	-	-	-	(6,293)	(7,820)
(Loss) / profit before tax	-	-	-	-	(21,285)	2,830
Income tax expense	-	-	-	-	(322)	(1,485)
(Loss) / profit attributable to equity holders of the Company	-	-	-	-	(21,607)	1,345

15. Segment Information (unaudited) (continued)

	Professional IT Services		Azeus Products		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities						
Segment assets	33,692	27,789	21,526	19,489	55,218	47,278
Unallocated assets	-	-	-	-	51,496	79,657
Total assets	-	-	-	-	106,714	126,935
Segment liabilities	3,164	5,388	6,551	4,593	9,715	9,981
Unallocated liabilities	-	-	-	-	15,201	13,993
Total liabilities	-	-	-	-	24,916	23,974

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 trade receivables, 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	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong	80,497	101,339
United Kingdom	11,887	9,324
Others	5,509	1,125
Total	97,893	111,788

A total of HK\$79.6 million, 81.3% of total revenue (FY 2016: HK\$101.3 million, 90.6% 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	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong	1,430	366
United Kingdom	66	60
Philippines	2,010	1,894
Bermuda (corporate)	15,490	13,243
Total	18,996	15,563

*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

	<u>The Group</u>		
	2017	2016	+ / (-)
	HK\$'000	HK\$'000	%
Sales reported for first half year	48,304	45,622	6
Net (loss) / profit after tax for first half year	(9,962)	3,724	(368)
Sales reported for second half year	49,589	66,166	(25)
Net loss after tax for second half year	(11,645)	(2,379)	389

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.

	<u>The Group</u>		
	2017	2016	+ / (-)
	HK\$'000	HK\$'000	%
Ordinary (note 11)	-	1,341	N/A
Preference	N/A	N/A	N/A
Total	-	1,341	N/A

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	55	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> <p>Director of Azeus Convene Malaysia Sdn. Bhd., a wholly-owned subsidiary of the Company, with effect from 19 April 2016.</p> <p>Director of Azeus Convene (BVI) Limited, a wholly-owned subsidiary of the Company, with effect from 22 June 2016.</p> <p>Director of Convene, Inc., a wholly-owned subsidiary of the Company, with effect from 4 November 2016</p>	N.A.

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.**

(continued)

Lam Pui Wan	57	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> <p>Director of Azeus Convene Malaysia Sdn. Bhd., a wholly-owned subsidiary of the Company, with effect from 19 April 2016.</p>	N.A.
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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, 2017