

AZEUS SYSTEMS HOLDINGS LTD.

Unaudited Full Year Financial Statement and Dividend Announcement for the year ended 31 March 2019

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 2019

(Expressed in Hong Kong Dollars)

	The Group		
	2019	2018	+ / (-)
	HK\$'000	HK\$'000	%
Revenue	147,834	102,360	44
Cost of sales	(81,729)	(69,986)	17
	=====	=====	
Gross profit	66,105	32,374	104
Other income	91	504	(82)
Amount received in settlement of maintenance claim	-	7,254	(100)
Other (losses) / gains – net	(2,879)	4,546	(163)
Impairment losses of financial assets	(547)	(1,111)	(51)
Selling and marketing expenses	(18,042)	(14,765)	22
Administrative and other operating expenses	(27,157)	(25,973)	5
	=====	=====	
Profit before tax	17,571	2,829	521
Income tax expense	(4,938)	(964)	412
	=====	=====	
Profit attributable to equity holders of the Company	12,633	1,865	577
	=====	=====	
Earnings per share (basic and diluted)	42.11 cents	6.22 cents	
	=====	=====	

1(a)(ii) Statement of Comprehensive Income for the financial year ended 31 March 2019
(Expressed in Hong Kong Dollars)

	The Group		
	2019	2018	+ / (-)
	HK\$'000	HK\$'000	%
Profit attributable to equity holders of the Company	12,633	1,865	577
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation differences arising from consolidation –gains / (losses)	1,979	(3,447)	(157)
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Actuarial (losses) / gains on defined retirement benefits – net of tax	(4,040)	7,877	(151)
Other comprehensive (loss) / income, net of tax	(2,061)	4,430	(147)
Total comprehensive income attributable to equity holders of the Company	10,572	6,295	68

1(a)(iii) Note to Income Statement for the financial year ended 31 March 2019

(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:			
	2019	2018	+ / (-)
	HK\$'000	HK\$'000	%
Depreciation of property, plant and equipment	(566)	(470)	21
Amortisation of intangible assets	(4,276)	(8,104)	(47)
Legal and professional fee	(1,990)	(2,511)	(21)
Rental expense – operating lease	(6,474)	(6,350)	2
Employee benefits (including directors' remuneration)	(82,127)	(68,992)	19
Retirement benefit expense	(830)	(1,235)	(33)
Third-party hardware and software	(1,463)	(279)	424
Third-party hardware and software maintenance support cost	(5,843)	(6,064)	(4)
Consultancy fee	(1,736)	(767)	126
Fee on audit services	(1,629)	(1,383)	18
Hosting costs	(4,811)	(2,405)	100
Insurance	(1,718)	(1,587)	8
Utilities	(1,603)	(1,523)	5
Marketing activities expense	(4,267)	(3,729)	14
Sales commission	(1,700)	(484)	251
Other expenses	(5,895)	(4,841)	22
	=====	=====	
Total cost of sales, selling and marketing and administrative and other operating expenses	(126,928)	(110,724)	15
	=====	=====	

Income tax			
Current income tax expense	(4,207)	(714)	489
Withholding tax	(752)	(234)	221
Deferred income tax credit / (expense)	21	(16)	231
	=====	=====	
Income tax expenses	(4,938)	(964)	412
	=====	=====	

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 2019
(Expressed in Hong Kong Dollars)

	<u>The Group</u>				<u>The Company</u>		
	31 March 2019	31 March 2018	1 April 2017	+/(-)	31 March 2019	31 March 2018	+/(-)
	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets							
Cash and cash equivalents	52,741	58,619	38,856	(10)	774	3,054	(75)
Restricted cash	1,508	1,504	2,249	-	-	-	-
Trade and other receivables	25,109	21,607	24,594	16	60,310	46,593	29
Inventories	13,304	5,285	1,423	152	-	-	-
Contract assets	37,976	12,769	19,016	197	-	-	-
Current income tax assets	345	1,566	1,580	(78)	-	-	-
	_____	_____	_____		_____	_____	
	130,983	101,350	87,718	29	61,084	49,647	23
	_____	_____	_____		_____	_____	
Non-current assets							
Investment in subsidiaries	-	-	-	-	50,283	50,467	-
Property, plant and equipment	954	952	983	-	-	-	-
Intangible assets	10,527	14,803	15,491	(29)	-	-	-
Deferred tax assets	689	219	1,124	215	-	-	-
Refundable deposit	435	1,382	1,398	(69)	-	-	-
	_____	_____	_____		_____	_____	
	12,605	17,356	18,996	(27)	50,283	50,467	-
	_____	_____	_____		_____	_____	
Total assets	143,588	118,706	106,714	21	111,367	100,114	11
	_____	_____	_____		_____	_____	

Azeus Systems Holdings Ltd.
Balance Sheet as at 31 March 2019
(Expressed in Hong Kong Dollars)
(Continued)

	<u>The Group</u>				<u>The Company</u>		
	31 March 2019	31 March 2018	1 April 2017	+ / (-)	31 March 2019	31 March 2018	+ / (-)
	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities							
Trade and other payables	7,643	10,288	5,629	(26)	1,307	1,457	(10)
Contract liabilities	28,773	16,227	8,630	77	-	-	-
Current income tax liabilities	2,160	955	80	126	-	-	-
	_____	_____	_____		_____	_____	
	38,576	27,470	14,339	40	1,307	1,457	(10)
	_____	_____	_____		_____	_____	
Non-current liabilities							
Contract liabilities	1,510	952	133	59	-	-	-
Provision for defined retirement benefit	6,697	2,099	10,415	219	-	-	-
Other liabilities	-	92	29	(100)	-	-	-
	_____	_____	_____		_____	_____	
	8,207	3,143	10,577	161	-	-	-
	_____	_____	_____		_____	_____	
Total liabilities	46,783	30,613	24,916	53	1,307	1,457	(10)
	_____	_____	_____		_____	_____	
Net assets	96,805	88,093	81,798	10	110,060	98,657	12
	_____	_____	_____		_____	_____	
Total Equity:							
Share capital	46,800	46,800	46,800	-	46,800	46,800	-
Share premium	56,489	56,489	56,489	-	56,726	56,726	-
Foreign currency translation reserve	3,503	1,524	4,971	130	-	-	-
Other reserves	1,350	1,350	1,330	-	-	-	-
Defined retirement benefits	(3,951)	89	(7,788)	(4,539)	-	-	-
Accumulated losses	(7,386)	(18,159)	(20,004)	(59)	6,534	(4,869)	234
	_____	_____	_____		_____	_____	
	96,805	88,093	81,798	10	110,060	98,657	12
	_____	_____	_____		_____	_____	

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 2019 and 31 March 2018.

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 2019

	<u>The Group</u>	
	2019	2018
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit attributable to equity holders of the Company	12,633	1,865
Adjustments for:		
Income tax expense	4,938	964
Depreciation of property, plant and equipment	566	470
Loss on disposal of property, plant and equipment	-	8
Amortisation of intangible assets	4,276	8,104
Interest income	(18)	(14)
Retirement benefit expense	830	1,235
	23,225	12,632
Changes in working capital		
Trade and other receivables	(3,618)	1,159
Contract assets	(24,374)	6,217
Refundable deposits	978	16
Inventories	(8,019)	(3,862)
Trade and other payables	(2,824)	1,832
Provision for defined retirement benefits	(590)	(672)
Contract liabilities	13,104	8,416
	(2,118)	26,483
Cash (used in) / generated from operations		
Income tax paid	(2,483)	(66)
	(4,601)	26,417
Net cash (used in) / generated from operating activities		

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 2019 (continued)

	<u>The Group</u>	
	2019	2018
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchases of property, plant and equipment	(578)	(443)
Additions of intangible assets	-	(7,416)
Interest received	18	14
	—————	—————
Net cash used in investing activities	(560)	(7,845)
Cash flows from financing activities		
Dividends paid to equity holders of the Company	(1,860)	-
(Increase) / decrease in restricted cash	(4)	745
	—————	—————
Cash used in financing activities	(1,864)	745
Net (decrease) / increase in cash and cash equivalents	(7,025)	18,572
Cash and cash equivalents at the beginning of the financial year	58,619	38,856
Effects of currency translation on cash and cash equivalents	1,147	1,191
	—————	—————
Cash and cash equivalents at the end of the financial year	52,741	58,619
	—————	—————

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 2019

	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 2018	46,800	56,489	1,524	1,350	89	(18,159)	88,093
Profit attributable to equity holders of the Company	-	-	-	-	-	12,633	12,462
Other comprehensive income / (loss)	-	-	1,979	-	(4,040)	-	(2,061)
Total comprehensive income / (loss)	-	-	1,979	-	(4,040)	12,633	10,572
FY2018 final dividends paid	-	-	-	-	-	(1,860)	(1,860)
Balance as at 31 March 2019	46,800	56,489	3,503	1,350	(3,951)	(7,386)	96,805
Balance as at 1 April 2017	46,800	56,489	4,971	1,330	(7,788)	(20,004)	81,798
Loss attributable to equity holders of the Company	-	-	-	-	-	1,865	1,865
Other comprehensive (loss) / income	-	-	(3,447)	-	7,877	-	4,430
Total comprehensive (loss) / income	-	-	(3,447)	-	7,877	1,865	6,295
Transfer from retained profits to other reserves	-	-	-	20	-	(20)	-
Balance as at 31 March 2018	46,800	56,489	1,524	1,350	89	(18,159)	88,093
				Share Capital	Share Premium	(Accumulated Losses) / Retained profits	Total Equity
<u>Company</u>				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2018				46,800	56,726	(4,869)	98,657
Total comprehensive income for the year				-	-	13,263	13,263
FY2018 final dividends paid				-	-	(1,860)	(1,860)
Balance as at 31 March 2019				46,800	56,726	6,534	110,060
Balance as at 1 April 2017				46,800	56,726	(1,403)	102,123
Total comprehensive loss for the year				-	-	(3,466)	(3,466)
Balance as at 31 March 2018				46,800	56,726	(4,869)	98,657

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 2019, share capital of the Company comprises 29,999,993 ordinary shares (FY2018: 29,999,993). There were no treasury shares held by the Company at 31 March 2019 and 2018.

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.

Except as disclosed in paragraph 5, 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 financial year ended 31 March 2019 as compared to the most recently audited financial statements for the financial year ended 31 March 2018.

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 2018, the Company and the Group adopted the new financial reporting framework, Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and have prepared their financial information under SFRS(I)s for the financial year ended 31 March 2019. In adopting SFRS(I)s, the Company and the Group are required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The Company’s and the Group’s opening balance sheets under SFRS(I)s have been prepared as at 1 April 2017, which is the Company’s and the Group’s date of transition to SFRS(I)s. The transition to SFRS(I) has no impact to the Company’s and the Group’s opening balance sheet on 1 April 2017.

The Company and the Group has also concurrently applied new accounting standard (1) SFRS(I) 9 Financial Instrument and (2) SFRS(I) 15 Revenue from Contracts with customers.

The Group has elected to apply the short term exemption to adopt SFRS(I) 9 on 1 April 2018. Accordingly, the requirements of SFRS39 Financial Instruments Recognition and Measurement are applied to the financial year ended 31 March 2018.

The adoption of SFRS(I) 9 has no impact on the Company’s and the Group’s opening retained earnings on 1 April 2018.

In accordance with the requirements of SFRS(I) 1, the Company and the Group adopt SFRS(I) 15 retrospectively. The adoption of SFRS(I) 15 does not have a material impact on the Company’s and the Group’s financial statements.

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.

	<u>The Group</u>	
	2019	2018
Profit attributable to equity holders of the Company (HK\$'000)	12,633	1,865
Weighted average number of shares	29,999,993	29,999,993
- Basic earnings per share (HK cents)	42.11	6.22
- Fully diluted earnings per share (HK cents)	42.11	6.22

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 2019 and 31 March 2018.

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 2019	31 March 2018	01 April 2017	31 March 2019	31 March 2018
	HK\$	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the existing share capital as at the end of the financial year.	3.23	2.94	2.73	3.67	3.29

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 29,999,993 (FY2018: 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

	2019	2018	+ / (-)
	HK\$'000	HK\$'000	%
Professional IT Services			
IT Services	46,983	31,595	49
Third-party hardware and software	1,479	338	338
Maintenance and Support Services	49,462	46,023	7
	_____	_____	
Total Professional IT Services Revenue	97,924	77,956	26
Azeus Products Revenue	49,910	24,404	105
	_____	_____	
Total Revenue	147,834	102,360	44

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, including sales of third-party hardware and software and maintenance and support services.

Total Group revenue increased by 44.4% to HK\$147.8 million for FY2019 as compared to HK\$102.4 million in FY2018.

IT Services accounted for 31.8% of total revenue for FY2019 (FY2018: 30.9%). Revenue from IT Services increased by HK\$15.4 million or 48.7% from HK\$31.6 million in FY2018 to HK\$47.0 million in FY2019 mainly due to the completion of higher value implementation service projects.

Sales of third-party hardware and software increased by 337.6% to HK\$1.5 million in FY2019 from HK\$0.3 million in FY2018. This business segment accounted for 1.0% (FY2018: 0.3%) of total revenue in FY2019.

Revenue from Maintenance and Support Services increased by 7.5% or HK\$3.4 million from HK\$46.0 million in FY2018 to HK\$49.5 million in FY2019. The increase in revenue was mainly attributable to an increase in the number of projects in production and under maintenance period. This business segment accounted for 33.4% (FY2018: 45.0%) of total revenue in FY2019.

Azeus Products accounted for 33.8% (FY2018: 23.8%) of the total Group revenue. Revenue from Azeus Products increased by HK\$25.5 million or 104.5% from HK\$24.4 million in FY2018 to HK\$49.9 million in FY2019. Revenue from the segment is contributed by the sale of two proprietary products — “Azeus Convene” and “AzeusCare”, and its associated professional services. The segment’s revenue is mainly 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 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 the delivery of service and provision of support, cost of third-party hardware and software products to be used in IT services implementation and maintenance 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 increased by HK\$11.7 million or 16.8% to HK\$81.7 million in FY2019 mainly due to higher hosting cost which is in line with the increase in cloud-based offerings of the Product business and capitalisation of development costs incurred of HK\$7.4 million.

Overall, the Group achieved a stronger gross profit margin of 44.7% in FY2019 as compared to 31.6% at FY2018, an increase of 13 percentage points.

c. Other income and other losses – net

	2019	2018	+ / (-)
	HK\$'000	HK\$'000	%
Amounts received in settlement of a maintenance claim	-	7,254	(100)
Subtotal	-	7,254	-
Other income comprise of:			
Interest income	18	14	29
Sundry income	73	490	(85)
Subtotal	91	504	(82)
Other (losses) / gains– net foreign exchange (losses) / gains	(2,879)	4,546	(163)
Subtotal	(2,879)	4,546	(163)

In FY2018, the Group recorded a one-off gain of HK\$7.3 in settlement of a maintenance claim with a customer, which contributed significantly to the Group's over performance.

Net foreign exchange loss in FY2019 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 31 March 2019, GBP weakened against HKD by 7.2%, which resulted in a net foreign exchange loss of HK\$2.9 million for FY2019.

d. Selling and marketing expenses

Selling and marketing expenses are one of the Group's 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 22.2% or HK\$3.3 million to HK\$18.0 million in FY2019 as compared to HK\$14.8 million in FY2018 due to the increase in sales representative personnel cost of HK\$2.3 million. The increase is in line with the Group's strategy to expand its sales team to focus on adding new customers and increasing

penetration within its existing customer base.

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 increased marginally by HK\$1.2 million or 4.6% to HK\$27.2 million in FY2019.

f. Net profit after taxation

The Group reported a net profit of HK\$12.6 million in FY2019 as compared to a net profit of HK\$1.9 million in FY2018. The Group was able to generate a higher revenue without significantly increasing the cost operationally.

Balance sheet

a. Contract assets

The customer pays the fixed amount based on an agreed contractual payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. Contract assets increased by HK\$25.2 million from HK\$12.8 million to HK\$38.0 million mainly due to the more projects and services were completed near the end of FY2019 but have not reached the relevant payment milestones.

b. Trade and other receivables

Trade and other receivables increased by 16.2% from HK\$25.1 million to HK\$24.6 million due to more billings issued nearing the end of FY2019. Provision for doubtful debts recorded in FY2019 amounted to HK\$0.9 million (FY2018: HK\$0.4 million).

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. Net carrying value at 31 March 2019 was HK\$10.5 million, a decrease from HK\$14.8 million mainly due to amortisation of HK\$4.3 million in FY2019.

e. Contract liabilities

Contract liabilities primarily consists of billings due or payments received in advance of revenue recognition from subscription services and maintenance and support services respectively. Revenue are recognised when the revenue recognition criteria are met. The Group generally invoices customers in annual installments for the subscription services. Contract liabilities that will be recognised during the succeeding twelve months period is recorded as current contract liabilities while more than twelve months is recorded as non-current. Total contract liabilities have increased by 76.3% to HK\$30.3 million from HK\$17.2 million due to increase in product sales and more collections from subscription agreements of Azeus Products business segment were entered into near the year-end.

f. Share capital and reserves

The Group's shareholders' equity increased from HK\$88.1 million as at 31 March 2018 to HK\$96.8 million as at 31 March 2019 mainly due to the net profit of HK\$12.6 million generated in FY2019 net off with the final dividend of FY 2018 of HK\$1.9 million paid during the year.

Cash flow statement

For the year ended 31 March 2019, the Group's net cash used in operating activities was HK\$4.6 million as opposed to HK\$26.4 million net cash generated from operating activities in FY2018. During the year, the Group has also paid HK\$1.9 million final dividend of FY 2018 as financing activities. Overall, the Group managed to maintain a healthy cash position of HK\$52.7 million as at 31 March 2019 (31 March 2018: HK\$58.6 million). 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 FY2019 on 14 November 2018 and reported a better set of results will be expected in FY2019 as compared with FY2018. The financial results of FY2019 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.

The Group has made good progress with its efforts to grow the “Azeus Products” business segment. The segment, which provides the Group with a steady stream of recurring income, has recorded strong organic growth and more than doubled in revenue from FY2018. The Group will aggressively build and strengthen our sales and marketing capacity to secure a greater market share. Azeus Products business will serve as the growth engine of the Group.

In addition, Azeus’ core business, “Professional IT Services”, remains fundamentally strong. The Group’s ability to secure contracts with government organisations is a testament to its capabilities and commitment in meeting customers’ expectations and needs. The Group expects to see progressive recognition of revenues from the recent contract wins from the Hong Kong Government and the United Kingdom local councils.

The Group remains cautiously optimistic about the outlook of FY2020.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

A first and final dividend of 21 HK cents per ordinary share is recommended for this financial year ended 31 March 2019. The said dividend will be subject to shareholders’ approval in the upcoming Annual General Meeting on 4 July 2019.

(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 of 6.2 HK cents per ordinary share was recommended and approved in respect of the financial year ended 31 March 2018. The total dividend amount of HK\$1.9 million was paid on 31 August 2018.

(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 computer software (Azeus Products). There are 2 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	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	97,924	77,956	49,910	24,404	147,834	102,360
	_____	_____	_____	_____	_____	_____
Segment results	39,901	28,118	8,413	(10,509)	48,314	17,609
	_____	_____	_____	_____	_____	_____
Amount received in a settlement of a maintenance claim	-	7,254	-	-	-	7,254
Unallocated income / (expenses):						
Other income					91	504
Other (losses) / gains - net					(2,879)	4,546
Depreciation of property, plant and equipment					(566)	(470)
Legal and professional fee					(1,990)	(2,511)
Rental expense – operating lease					(6,474)	(6,350)
Retirement benefit expense					(830)	(1,235)
Fees on audit services					(1,629)	(1,383)
Administrative salaries					(5,932)	(5,833)
Insurance					(1,718)	(1,587)
Directors compensation					(1,267)	(1,290)
Others expense					(7,549)	(6,425)
					_____	_____
Profit before tax					17,571	2,829
Income tax expense					(4,938)	(964)
					_____	_____
Profit attributable to equity holders of the Company					12,633	1,865

15. **Segment Information (unaudited) (continued)**

	Professional IT Services		Azeus Products		Total	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities						
Segment assets	56,110	27,645	22,545	20,112	78,655	47,757
	_____	_____	_____	_____		
Unallocated assets					64,933	70,949
					_____	_____
Total assets					143,588	118,706
					_____	_____
Segment liabilities	3,881	3,002	29,737	15,845	33,618	18,847
	_____	_____	_____	_____		
Unallocated liabilities					13,165	11,766
					_____	_____
Total liabilities	-	-	-	-	46,783	30,613
					_____	_____

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, 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.

Geographical segments

Revenue information is based on the geographical location of customers.

	Revenue	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong	115,720	78,860
United Kingdom	12,810	9,637
Australia and New Zealand	8,253	4,242
North America	6,191	4,585
Others	4,860	5,036
Total	147,834	102,360

15. Segment Information (unaudited) (continued)

A total of HK\$97.0million, 65.6% of total revenue (FY2018: HK\$76.9 million, 75.1% of total revenue) from external customers is derived from the provision of IT services to the public sector of Hong Kong Government.

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

	Non-current assets	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong and China	555	1,539
United Kingdom	40	33
Philippines	1,469	975
Bermuda and BVI	10,527	14,803
Australia	4	6
Middle East	10	-
Total	12,605	17,356

*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		
	2019	2018	+ / (-)
	HK\$'000	HK\$'000	%
Sales reported for first half year	63,071	41,211	53
Net profit/(loss) after tax for first half year	2,081	(5,860)	(136)
Sales reported for second half year	84,763	61,149	39
Net profit after tax for second half year	10,552	7,725	37

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		
	2019	2018	+ / (-)
	HK\$'000	HK\$'000	%
Ordinary (note 11)	6,315	1,865	-
Preference	N/A	N/A	N/A
Total	6,315	1,865	-

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	57	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 Convene SG Pte. Ltd.(formerly 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 Convene Pty Ltd. (formerly Azeus Pty Ltd.), a wholly-owned subsidiary of the Company, with effect from 12 February 2015.</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> <p>Director of Convene DWC LLC, a wholly-owned subsidiary of the Company, with effect from 28 March 2018.</p> <p>Director of Convene India Private Limited, a wholly-owned subsidiary of the Company, with effect from 2 March 2019.</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	59	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 Convene Malaysia Sdn. Bhd. (formerly 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 2019