

AZEUS SYSTEMS HOLDINGS LTD.

Unaudited Full Year Financial Statement and Dividend Announcement for the year ended 31 March 2020

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 2020

(Expressed in Hong Kong Dollars)

	<u>The Group</u>		
	2020	2019	+ / (-)
	HK\$'000	HK\$'000	%
Revenue	181,234	147,834	23
Cost of sales	(104,649)	(81,729)	28
Gross profit	76,585	66,105	16
Other losses - net	(4,021)	(2,788)	44
Impairment losses of financial assets	(1,080)	(546)	98
Selling and marketing expenses	(23,375)	(18,042)	30
Administrative and other operating expenses	(29,403)	(27,158)	8
Finance cost – lease interest	(698)	-	N/A
Profit before income tax	18,008	17,571	2
Income tax expense	(5,338)	(4,938)	8
Profit attributable to equity holders of the Company	12,670	12,633	-
Earnings per share (basic and diluted)	42.23 cents	42.11 cents	

1(a)(ii) Statement of Comprehensive Income for the financial year ended 31 March 2020
(Expressed in Hong Kong Dollars)

	The Group		
	2020	2019	+ / (-)
	HK\$'000	HK\$'000	%
Profit attributable to equity holders of the Company	12,670	12,633	-
<u>Other comprehensive income</u>			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation gains arising from consolidation	484	1,979	(76)
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Actuarial losses gains on defined retirement benefits – net of tax	(2,764)	(4,040)	(32)
Other comprehensive loss, net of tax	(2,280)	(2,061)	11
Total comprehensive income attributable to equity holders of the Company	10,390	10,572	(2)

1(a)(iii) Note to Income Statement for the financial year ended 31 March 2020

(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:			
	2020	2019	+ / (-)
	HK\$'000	HK\$'000	%
Depreciation of property, plant and equipment	(532)	(566)	(6)
Depreciation of right-of-use assets	(4,932)	-	N/A
Amortisation of intangible assets	(4,183)	(4,276)	(2)
Legal and professional fees	(2,538)	(1,990)	28
Rental expense – operating lease	(1,952)	(6,474)	(70)
Employee benefits (including directors' remuneration)*	(92,998)	(82,957)	12
Third-party hardware and software	(13,528)	(1,463)	825
Third-party hardware and software support cost	(5,976)	(5,843)	2
Consultancy fee	(2,072)	(1,736)	19
Fee on audit services	(1,305)	(1,629)	(20)
Cost of data center and IT infrastructure	(10,604)	(4,811)	120
Insurance	(1,407)	(1,718)	(18)
Utilities	(1,715)	(1,603)	7
Marketing activities expense	(5,613)	(4,267)	32
Sales commission	(1,349)	(1,700)	(21)
Sales consultancy fee	(845)	(840)	-
Technical supplies and services	(1,816)	(1,177)	54
Other expenses	(4,062)	(3,879)	5
Total cost of sales, selling and marketing and administrative and other operating expenses	(157,427)	(126,929)	24
Income tax			
Current income tax expense	(3,504)	(3,920)	(11)
Tax underprovision	(694)	(287)	142
Withholding tax	(1,184)	(752)	57
Deferred income tax credit / (expense)	44	21	110
Income tax expenses	(5,338)	(4,938)	8

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 2020
(Expressed in Hong Kong Dollars)

	<u>The Group</u>			<u>The Company</u>		
	31 March 2020	31 March 2019	+ / (-)	31 March 2020	31 March 2019	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current assets						
Cash and bank deposits	102,032	54,249	88	1,769	774	129
Trade and other receivables	35,041	25,109	39	58,341	60,310	(3)
Inventories	-	13,304	(100)	-	-	-
Contract assets	12,247	37,976	(68)	-	-	-
Current income tax assets	215	345	(38)	-	-	-
	<u>149,535</u>	<u>130,983</u>	14	<u>60,110</u>	<u>61,084</u>	(2)
Non-current assets						
Investment in subsidiaries	-	-	-	52,991	50,283	5
Property, plant and equipment	1,175	954	23	-	-	-
Right-of-use assets	12,951	-	N/A	-	-	-
Intangible assets	6,344	10,527	(40)	-	-	-
Deferred tax assets	1,056	689	53	-	-	-
Refundable deposit	1,558	435	258	-	-	-
	<u>23,084</u>	<u>12,605</u>	83	<u>52,991</u>	<u>50,283</u>	5
Total assets	172,619	143,588	20	113,101	111,367	2

Azeus Systems Holdings Ltd.
Balance Sheet as at 31 March 2020
(Expressed in Hong Kong Dollars)
(Continued)

	<u>The Group</u>			<u>The Company</u>		
	31 March 2020	31 March 2019	+ / (-)	31 March 2020	31 March 2019	+ / (-)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Current liabilities						
Trade and other payables	10,500	7,643	37	1,179	1,307	(10)
Contract liabilities	34,882	28,773	21	-	-	-
Lease liabilities	3,453	-	N/A	-	-	-
Current income tax liabilities	796	2,160	(63)	-	-	-
	49,631	38,576	29	1,179	1,307	(10)
Non-current liabilities						
Contract liabilities	2,036	1,510	35	-	-	-
Lease liabilities	9,943	-	N/A	-	-	-
Provision for defined retirement benefit	10,114	6,697	51	-	-	-
	22,093	8,207	169	-	-	-
Total liabilities	71,724	46,783	52	1,179	1,307	(10)
Net assets	100,895	96,805	4	111,922	110,060	2
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	3,987	3,503	14	-	-	-
Other reserves	1,383	1,350	2	-	-	-
Defined retirement benefits	(6,715)	(3,951)	70	-	-	-
(Accumulated losses) / Retained profits	(1,049)	(7,386)	(86)	8,396	6,534	28
	100,895	96,805	4	111,922	110,060	2

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 2020 and 31 March 2019.

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 2020

	<u>The Group</u>	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit attributable to equity holders of the Company	12,670	12,633
Adjustments for:		
Income tax expense	5,338	4,938
Depreciation of property, plant and equipment	532	566
Depreciation of right-of-use assets	4,932	-
Amortisation of intangible assets	4,183	4,276
Interest income	(26)	(18)
Interest expense on lease liabilities	698	-
Retirement benefit expense	1,542	830
	<u>29,869</u>	<u>23,225</u>
Changes in working capital		
Trade and other receivables	(10,910)	(3,368)
Contract assets	23,195	(25,204)
Refundable deposits	(1,234)	983
Inventories	13,304	(8,019)
Trade and other payables	1,039	(2,635)
Provision for defined retirement benefits	(1,353)	(707)
Contract liabilities	6,635	13,607
	<u>60,545</u>	<u>(2,118)</u>
Cash generated from / (used in) operations		
Income tax paid	(4,557)	(2,483)
	<u>55,988</u>	<u>(4,601)</u>
Net cash generated from / (used in) 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 2020 (continued)

	The Group	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchases of property, plant and equipment	(757)	(578)
Interest received	26	18
	=====	=====
Net cash used in investing activities	(731)	(560)
Cash flows from financing activities		
Increase in restricted cash	(505)	(4)
Dividends paid to equity holders of the Company	(6,300)	(1,860)
Principal payment of lease liabilities	(4,587)	-
Payment of interest on lease liabilities	(698)	-
	=====	=====
Net cash used in financing activities	(12,090)	(1,864)
Net increase / (decrease) in cash and cash equivalents	43,167	(7,025)
Cash and cash equivalents at the beginning of the financial year	52,741	58,619
Effects of currency translation on cash and cash equivalents	4,111	1,147
	=====	=====
Cash and cash equivalents at the end of the financial year	100,019	52,741
	=====	=====
Cash and bank deposits	102,032	54,249
Less: Restricted cash	(2,013)	(1,508)
	=====	=====
Cash and cash equivalents at the end of the financial year	100,019	52,741
	=====	=====

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 2020

	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 2019	46,800	56,489	3,503	1,350	(3,951)	(7,386)	96,805
Profit attributable to equity holders of the Company	-	-	-	-	-	12,670	12,670
Other comprehensive income / (loss)	-	-	484	-	(2,764)	-	(2,280)
Total comprehensive income / (loss)	-	-	484	-	(2,764)	12,670	10,390
Transfer from retained profits to other reserves	-	-	-	33	-	(33)	-
FY2019 final dividends paid	-	-	-	-	-	(6,300)	(6,300)
Balance as at 31 March 2020	46,800	56,489	3,987	1,383	(6,715)	(1,049)	100,895
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	12,633
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

	Share Capital	Share Premium	(Accumulated losses) / Retained profit	Total Equity
<u>Company</u>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2019	46,800	56,726	6,534	110,060
Total comprehensive income for the year	-	-	8,162	8,162
FY2019 final dividends paid	-	-	(6,300)	(6,300)
Balance as at 31 March 2020	46,800	56,726	8,396	111,922
Balance as at 1 April 2018	46,800	56,726	(10,466)	93,060
Total comprehensive income for the year	-	-	18,860	18,860
FY2018 final dividends paid	-	-	(1,860)	(1,860)
Balance as at 31 March 2019	46,800	56,726	6,534	110,060

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 2020, share capital of the Company comprises 29,999,993 ordinary shares (FY2019: 29,999,993). There were no treasury shares held by the Company at 31 March 2020 and 2019.

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 for the adoption of the new financial reporting framework as discussed in the paragraph below, 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 period, compared to the Company's and the Group's most recently audited financial

statements for the year ended 31 March 2019.

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 2019, the Group adopted new or amended SFRS(I)s and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year, including SFRS(I) 16 Leases. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I).

Upon the adoption of SFRS(I) 16 Leases, the Group applied certain transition reliefs under a simplified approach and did not restate comparative amounts.

Practical expedients were applied to recognise right-of-use (“ROU”) assets that is equivalent to its lease liabilities on the balance sheet on 1 April 2019. Recognition exemptions for short-term leases and leases of low-value items are used as permitted by the standard. Under SFRS(I) 16, the recognition of operating lease expenses on a straight-line basis is replaced with the combination of depreciation expenses for ROU assets and interest expense on lease liabilities. The effects of adoption of SFRS(I) 16 on the Group’s financial statements as at 1 April 2019 are as follows:

	Increase/ (decrease) HK\$’000
Right-of-use assets	7,416
Lease liabilities	7,513
Provision on deferred rent	(97)

An explanation of the differences between the operating lease commitments previously disclosed in the Group’s financial statements as at 31 March 2019 and the lease liabilities recognised in the balance sheet as at 1 April 2019 are as follows:

	HK\$’000
Operating lease commitment disclosed as at 31 March 2019	9,066
Less: Short-term leases	132
Less: Discounting effect using weighted average incremental borrowing rate of 7.9%	(2,095)
Add: Extension options which are reasonably certain to be exercised	<u>410</u>
Lease liabilities recognised as at 1 April 2019	<u><u>7,513</u></u>

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.**

	The Group	
	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	12,670	12,633
Weighted average number of shares	29,999,993	29,999,993
- Basic earnings per share (HK cents)	42.23	42.11
- Fully diluted earnings per share (HK cents)	42.23	42.11

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 2020 and 31 March 2019.

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	The Group		The Company	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	HK\$	HK\$	HK\$	HK\$
Net asset value per ordinary share based on the existing share capital as at the end of the financial year.	3.36	3.23	3.73	3.67

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 29,999,993 (FY2019: 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

	2020	2019	+ / (-)
	HK\$'000	HK\$'000	%
IT Services			
System implementation and enhancement	36,210	46,983	(23)
Sale of third-party hardware and software	15,777	1,479	967
Maintenance and Support Services	45,307	49,462	(8)
	<u> </u>	<u> </u>	
	97,294	97,924	(1)
Azeus Products Revenue	83,940	49,910	68
	<u> </u>	<u> </u>	
Total Revenue	181,234	147,834	22

The Group derives its revenue from two operating segments – IT Services and Azeus Products. IT Services includes three core business areas, System implementation and enhancement, sales of third-party hardware and software and maintenance and support services.

Total Group revenue increased by 22.6% to HK\$181.2 million in FY2020 from HK\$147.8 million in FY2019.

Systems implementation and enhancement accounted for 20.0% of total revenue for FY2020 (FY2019: 31.8%). Revenue from this segment decreased by HK\$10.8 million or 22.9% from HK\$47.0 million in FY2019 to HK\$36.2 million in FY2020 mainly due to the fewer projects and enhancements secured in FY 2020.

Sales of third-party hardware and software increased by 953.3% to HK\$15.8 million in FY2020 from HK\$1.5 million in FY2019 mainly due to the delivery and acceptance of an implementation project completed during FY2020. This business segment accounted for 8.7% (FY2019: 1.0%) of total revenue in FY2020.

Revenue from Maintenance and Support Services decreased by 8.5% or HK\$4.2 million from HK\$49.5 million in FY2019 to HK\$45.3 million in FY2020. The decrease in revenue was mainly attributable to a decrease in the number of maintenance projects. This business segment accounted for 25.0% (FY2019: 33.4%) of total revenue in FY2020.

Azeus Products accounted for 46.3% (FY2019: 33.8%) of the total Group revenue. Revenue from Azeus Products increased by HK\$34.0 million or 68.1% from HK\$49.9

million in FY2019 to HK\$83.9 million in FY2020. Revenue from this segment is contributed by the sale of two proprietary products — “Azeus Convene” and “AzeusCare”, and associated professional services.

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. The Group has made a good progress in expanding its customer and revenue base.

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 used in IT services system implementation and maintenance projects, cost of data center and IT infrastructure, cost of consultancy services and amortisation of intangible assets.

As a result of the increased business activity, the Group’s cost of sales increased by HK\$22.9 million or 28.0% to HK\$104.6 million in FY2020 from HK\$81.7 million in FY 2019 mainly due to an increase in cost of data center and IT infrastructure of HK\$5.8 million, cost of third-party hardware and software of HK\$12.1 million, direct employee expenses of HK\$3.7 million and technical supplies and services fee of HK\$0.6 million.

Overall, the Group achieved a gross profit margin of 42.3% in FY2020 as compared to 44.7% in FY2019.

c. Other income and other losses – net

	2020	2019	+ / (-)
	HK\$'000	HK\$'000	%
Other income comprise of:			
Interest income	26	18	44
Sundry income	91	73	24
	=====	=====	
	117	91	
Other (losses) / gains– net foreign exchange (losses) / gains	(4,138)	(2,879)	44
	=====	=====	
	(4,021)	(2,788)	44

Net foreign exchange loss arose from the translation of net monetary assets denominated in foreign currencies mainly in Great British Pound (“GBP”) at the closing rate at the balance sheet date. As at 31 March 2020, GBP weakened against HKD by 6.2% (FY2019: 7.2%), which resulted in a net foreign exchange loss of HK\$4.1 million for FY 2020 (FY2019: HK\$2.9 million).

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 of the Sales Representatives, and marketing programs. Marketing programs include advertising, trade shows and events, corporate communications, brand building and product marketing activities.

Selling and marketing expenses increased by 30.0% or HK\$5.4 million to HK\$23.4 million in FY2020 as compared to HK\$18.0 million in FY2019 due to an increase in sales representative personnel cost of HK\$4.0 million. The increase is in line with the Group’s strategy to expand its sales team to secure new customers and increase penetration within its existing customer base.

e. Administrative and other operating expenses

Administrative and other operating expenses which includes legal and professional fee, Directors’ fees, audit fee, rent and rates and other operating expenses increased by HK\$2.2 million or 8.1% to HK\$29.4 million in FY2020.

f. Net profit after taxation

The Group reported a net profit of HK\$12.7 million in FY2020 as compared to a net profit of HK\$12.6 million in FY2019.

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 decreased by HK\$25.8 million from HK\$38.0 million to HK\$12.2 million as the majority of the existing IT Services implementation projects on hand were completed and paid in FY2020.

b. Trade and other receivables

Trade and other receivables increased by 39.4% from HK\$25.1 million to HK\$35.0 million due to more billings issued nearing the end of FY2020. The Group recorded impairment losses of financial assets of HK\$1.0 million in FY2020 (FY2019: HK\$0.6 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 Group's inventories were fully delivered, implemented and accepted. Therefore, the revenue and cost associated with these hardware and software products have been fully recognised in FY2020.

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 2020 was HK\$6.3 million, a decrease from HK\$10.5 million mainly due to amortisation of HK\$4.2 million in FY2020. There is no capitalisation of development cost in FY2020.

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. 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 21.8% to HK\$36.9 million from HK\$30.3 million due to increase in Azeus Product sales. 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\$96.8 million as at 31 March 2019 to HK\$100.3 million as at 31 March 2020 mainly due to the net profit of HK\$12.7 million generated in FY2020 net off with the final dividend of FY2019 of HK\$6.3 million paid during the year.

Cash flow statement

For the year ended 31 March 2020, the Group's net cash provided by operating activities was HK\$55.9 million as opposed to HK\$4.6 million net cash used in operating activities in FY2019. During the year, the Group also paid a total of HK\$6.3 million in final dividend for FY2019 and lease liabilities payments of HK\$5.2 million as financing activities. Overall, the Group managed to maintain a higher cash position of HK\$100.0 million as at 31 March 2020 (31 March 2019: HK\$52.7 million).

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 FY2020 on 14 November 2019 and reported a better revenue will be expected in FY2020 as compared with FY2019. The financial results of FY2020 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 achieved healthy growth in the "Azeus Products" business segment during the year and the segment is expected to remain as the growth engine of the Group.

For the "Azeus IT Services" segment, the Group expects some weaknesses due to a number of tender delays as a result of the political situation in Hong Kong and the COVID-19 pandemic.

Notwithstanding the challenging outlook, the Group will continue to invest in the Azeus Products segment including expanding into more territories and adding new products features and modules. We expect to grow in this segment.

Barring unforeseen circumstances, the group remains cautiously optimistic about the outlook of FY2021.

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 2020. The said dividend will be subject to shareholders' approval in the upcoming Annual General Meeting.

(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 21.0 HK cents per ordinary share was recommended and approved in respect of the financial year ended 31 March 2019. The total dividend amount of HK\$6.3 million was paid on 16 October 2019.

(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 Information Technology Services (“IT Services”) and sale of computer software (Azeus Products). There are 3 major revenue streams under IT Services: “Systems implementation and enhancement”, “Sales of third party hardware and software” and “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)

	IT Services		Azeus Products		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	97,294	97,924	83,940	49,910	181,234	147,834
Segment results	31,262	39,901	26,129	12,689	57,391	52,590
Amortisation of Intangible assets	-	-	(4,183)	(4,276)	(4,183)	(4,276)
Unallocated income / (expenses):						
Other losses - net					(4,021)	(2,788)
Depreciation of property, plant and equipment					(532)	(566)
Depreciation of right-of use asset					(4,932)	-
Legal and professional fee					(2,538)	(1,990)
Rental expense – operating lease					(1,952)	(6,474)
Retirement benefit expense					(1,542)	(830)
Fees on audit services					(1,305)	(1,629)
Administrative salaries					(6,897)	(5,932)
Insurance					(1,407)	(1,718)
Directors compensation					(1,249)	(1,267)
Others expense					(8,825)	(7,549)
Profit before tax					18,008	17,571
Income tax expense					(5,338)	(4,938)
Profit attributable to equity holders of the Company					12,670	12,633

15. Segment Information (unaudited) (continued)

	IT Services		Azeus Products		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities						
Segment assets	15,538	56,109	30,417	22,545	45,955	78,653
	_____	_____	_____	_____		
Unallocated assets					126,664	64,935
					_____	_____
Total assets					172,619	143,588
					_____	_____
Segment liabilities	3,667	3,881	35,739	29,737	39,406	33,618
	_____	_____	_____	_____		
Unallocated liabilities					32,318	13,165
					_____	_____
Total liabilities	-	-	-	-	71,724	46,783
					_____	_____

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	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	106,397	102,038
United Kingdom and Europe	28,975	15,389
Australia and New Zealand	10,917	8,253
North America	7,474	6,191
Middles East	12,764	5,056
Africa (note)	7,345	4,458
Others	7,362	6,449
Total	181,234	147,834

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

15. Segment Information (unaudited) (continued)

A total of HK\$97.0 million, 54.0% of total revenue (FY2019: HK\$97.0 million, 65.6% of total revenue) from external customers is derived from the provision of IT services and Azeus Products to the public sector of Hong Kong Government.

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

	Non-current assets	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong and China	9,909	555
United Kingdom	103	40
Philippines	6,472	1,469
Bermuda and BVI	6,344	10,527
Others	256	14
Total	23,084	12,605

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

16. A breakdown of sales

	The Group		
	2020	2019	+ / (-)
	HK\$'000	HK\$'000	%
Sales reported for first half year	72,102	63,071	14
Net profit after tax for first half year	4,937	2,081	137
Sales reported for second half year	109,132	84,763	29
Net profit after tax for second half year	7,733	10,552	(27)

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		
	2020	2019	+ / (-)
	HK\$'000	HK\$'000	%
Ordinary (note 11)	6,335	6,315	-
Preference	N/A	N/A	N/A
Total	6,335	6,315	-

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	58	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	60	Spouse of Mr Lee Wan Lik, Managing Director	Executive Director of the Company with effect from 12 May 2004. Director of Azeus Systems Limited, Hong Kong, a wholly-owned subsidiary of the Company, with effect from 15 January 1991. Director of Azeus Systems Manila (BVI) Ltd, a wholly-owned subsidiary of the Company, with effect from 12 May 2004. 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.	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

19 June 2020