AZEUS

A CMMI LEVEL 5 COMPANY

Azeus Systems Holdings Ltd.

SCALING GREATER OPPORTUNITIES

ANNUAL REPORT 2018

CONTENTS

Established in 1991, we are a leading IT services provider successfully delivering IT solutions to various clients in Asia Pacific and the United Kingdom ("UK").

We were the first company in Hong Kong to be appraised at the highest level (Level 5) of the CMMI-SW model in November 2003. This is a strong endorsement of our commitment to achieving best practice processes and maintaining high quality standards for our IT solutions and services. Under our IT services segment, we design and implement a broad range of IT software and systems, as well as develop and integrate various software programmes of IT systems to fulfill the outsourcing needs of our customers.

We also provide a vast spectrum of maintenance and support services. One of our milestone achievements is having won the first business outsourcing project from the Hong Kong Government – covering IT process, IT maintenance and support, as well as office operations and support services.

We have a solid track record of completing over 100 projects for more than 40 Government departments, as well as over 20 projects for the private sector in Hong Kong. While our strength has traditionally been in the public sector, we continue to develop our business on the regional commercial front.

We have an experienced management team, supported by a core group of highly competent and skilled IT professionals. Together, we are committed to continuously engineer innovative IT solutions and deliver excellent IT services.

Our established quality assurance systems, working methodologies and processes allow for a seamless integration of operations across multiple locations. Our software development centres are based in the Philippines and China, where lower costs of operations in these countries enable us to maintain competitive pricing for our tenders, without compromising the quality of our work.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr Lee Wan Lik (Managing Director)
Ms Lam Pui Wan (Executive Director)
Mr Michael Yap Kiam Siew (Lead Independent Director)
Mr Koji Miura (Independent Director)
Mr Chan Ching Chuen (Independent Director)

SENIOR MANAGEMENT

Mr Stephen Ma (Vice President)
Miss Eleanor Jim (Vice President)
Mr Jerry Chua (Director of Azeus Philippines)
Mr Rene Toling Lindio (Chief Technology Officer)
Ms Mary Rose T. Tan (President of Azeus Philippines)
Ms Peggy Sam (Group Financial Controller)

AUDIT COMMITTEE

Mr Koji Miura (Chairman)
Mr Michael Yap Kiam Siew
Mr Chan Ching Chuen

REMUNERATION COMMITTEE

Mr Michael Yap Kiam Siew (Chairman)
Mr Koji Miura
Mr Chan Ching Chuen

NOMINATING COMMITTEE

Mr Chan Ching Chuen (Chairman)
Mr Michael Yap Kiam Siew
Mr Lee Wan Lik

COMPANY SECRETARY

Mr Yap Wai Ming

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda
Tel: 441 295 1443
Fax: 441 295 9216

PRINCIPAL OFFICE

22/F Olympia Plaza
255 King's Road, North Point
Hong Kong

BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

Estera Services (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton 12
Bermuda

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
7 Straits View
Marine One, East Tower, Level 12
Singapore 018936
Ms Charlotte Hsu
Partner-in-charge since financial year
ended 31 March 2014

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Central, Hong Kong

Dah Sing Bank Limited
34th Floor
Dah Sing Financial Center
108 Gloucester Road
Hong Kong

PRINCIPAL LEGAL ADVISER

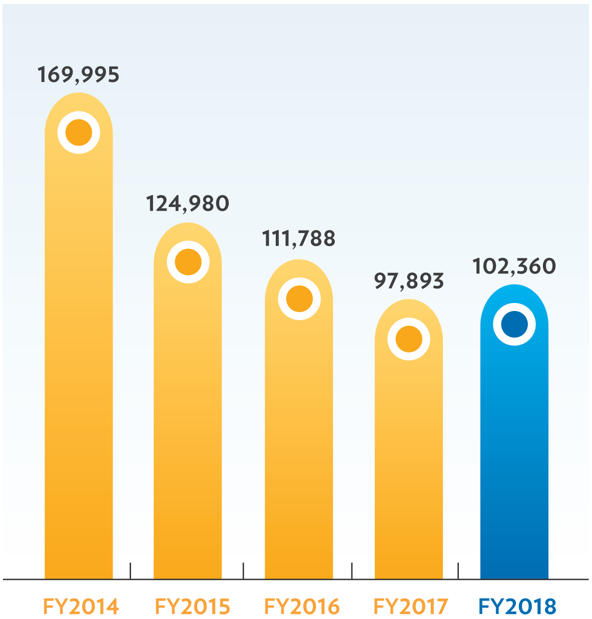
Morgan Lewis Stamford LLC
10 Collyer Quay
Ocean Financial Centre Level 27
Singapore 049315

INVESTOR RELATIONS CONTACT

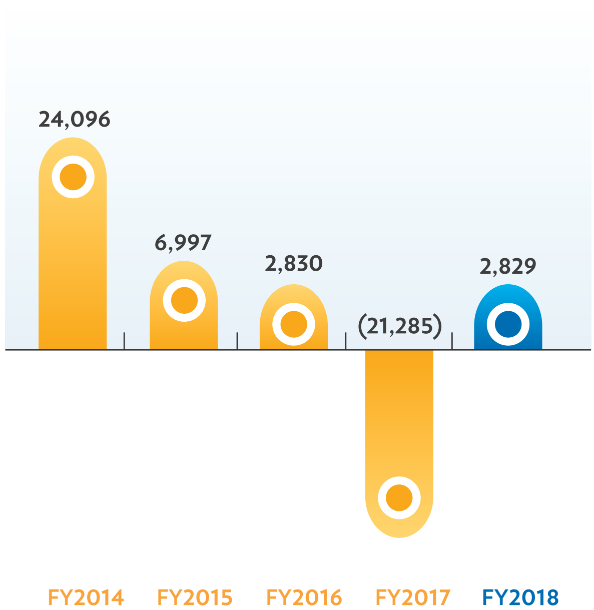
Citigate Dewe Rogerson
55 Market Place
#02-01
Singapore 048941
Tel: (65) 6534 5122
Fax: (65) 6534 4171

FY: Financial Year ended 31 March

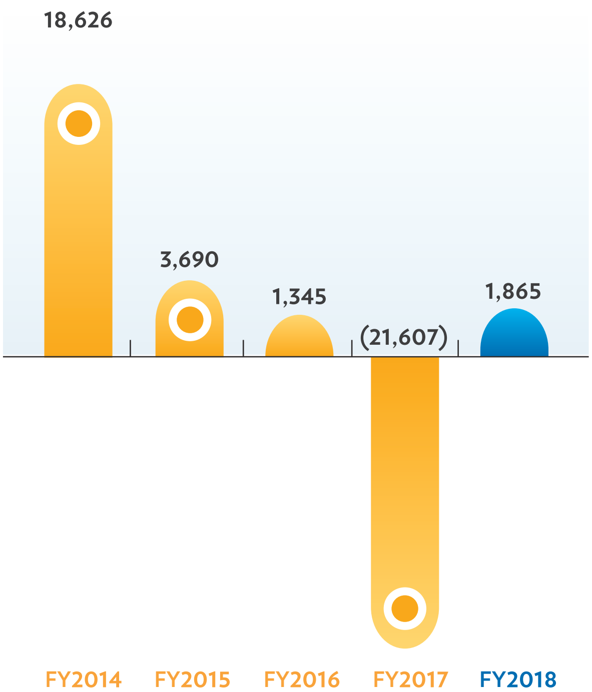
REVENUE
(HK $'000)



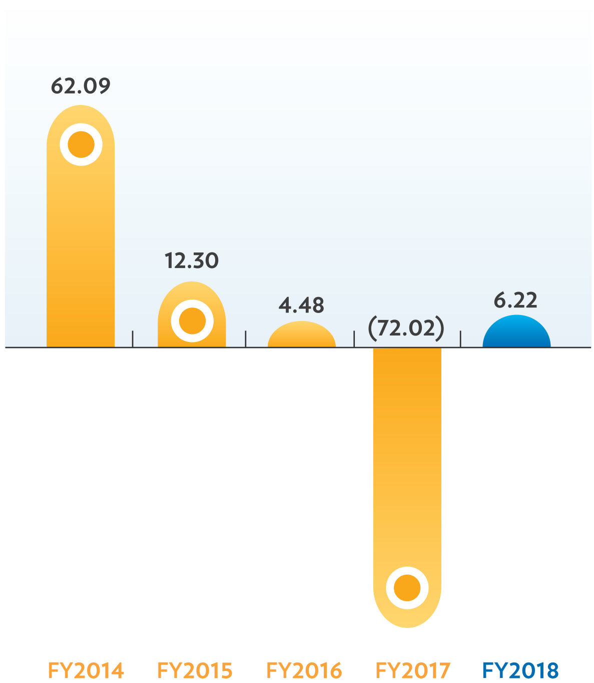
PROFIT/(LOSS) BEFORE TAX
(HK $'000)



NET PROFIT/(LOSS)
(HK $'000)



EARNINGS/(LOSS) PER SHARE
(HK Cents)



OUR **SERVICES**

IT CONSULTANCY SERVICES

Azeus offers clients with consultancy services in developing comprehensive business and technology strategies to ensure long-term business growth and success.

MAINTENANCE & SUPPORT SERVICES

Our extensive scope of maintenance and support services includes software upgrades, problems resolution and bug fixing, disaster recovery planning, disaster recovery drill and system technical support.

WITH OUR CORE GROUP OF HIGHLY SKILLED AND DRIVEN IT PROFESSIONALS, ALONG WITH OUR WORLD-CLASS SOFTWARE ENGINEERING PROCESSES, AZEUS DEVELOPS A NUMBER OF INNOVATIVE TECHNOLOGIES AND SOLUTIONS TO HELP OUR CUSTOMERS AUTOMATE THEIR ORGANISATIONS' EXISTING OPERATIONS.

azeuscare

convene
Smart. Simple. Secure.

"FY2018 had been a notable year for Azeus. The Group's Professional IT Services and Azeus Products business segments have both gained good traction with a series of contract wins and newly acquired customers over the course of the year."

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you our annual report for the financial year ended 31 March 2018 ("FY2018").

FY2018 had been a notable year for Azeus. The Group's Professional IT Services and Azeus Products business segments have both gained good traction with a series of contract wins and newly acquired customers over the course of the year. The Group made good progress in its Azeus Products business and its revenue has more than doubled from FY 2017. .

FY2018 Financial Review

In FY2018, Azeus delivered total revenue of HK$102.4 million, a 4.6% increase from HK$97.9 million reported in the previous corresponding year ("FY2017").

The increase in total revenue was mainly bolstered by contribution from the Azeus Products business segment, which saw its revenue more than double from HK$11.9 million in FY2017 to HK$24.4 million in FY2018 due to increased sales of the Group's proprietary products — "Azeus Convene" and "AzeusCare"— as well as professional services under the Azeus Products business segment.

We are highly encouraged that the higher revenue in FY2018 was achieved.

During the year, cost of sales decreased by HK$2.4 million or 3.3% to HK$70.0 million in FY2018 due to lower third-party hardware and software support cost as well as subcontracting fees. Selling and marketing expenses were also lower at HK$14.8 million in FY2018 from HK$16.2 million in FY2017 due to fewer selling and marketing activities undertaken for the Azeus Products business segment. Meanwhile, administrative and other operating expenses rose slightly by HK$1.0 million from HK$26.1 million in FY2017 to HK$27.1 million in FY2018.

As a result of the overall improvement in the Group's profitability, coupled with a one-off income of HK$7.3 million from a settlement of a maintenance claim as well as higher currency exchange gain of HK$4.5 million, Azeus ended the financial year with a net profit of HK$1.9 million, compared to a net loss of HK$21.6 million in FY2017.

Additionally, we have also further solidified our financial position. As at 31 March 2018, Azeus' cash position grew 50.6% to HK$58.6 million with neither debt nor bank borrowings, up from HK$38.9 million in the year before.

To reward our shareholders for all your support through the years, the Group is pleased to recommend a first and final dividend of 6.2 HK cents per share.

Review of Business Segments

Our Professional IT Services and Azeus Products business segments have both done well in the past year, despite the ongoing challenges in Hong Kong's IT market.

At the start of July 2017, Azeus was awarded the Standing Offer Agreement for Quality Professional Services 4 ("SOA-QPS4"), enabling the Group to tender for various government IT professional services contracts of up to HK$15 million for the fifth consecutive term. Following which, Azeus had successfully clinched a series of governmental IT projects from the Hong Kong Government, which amounted to over HK$133.4 million, which will be progressively recognised over the next two to ten years following their implementation in FY2019 and FY2020.

In the course of the year, we have also started seeing our investment in the expansion of our global product sales team pay off. We made good headway in acquiring new customers on the Azeus Products business front in FY2018, which resulted in higher sales for our proprietary products, "Azeus Convene" and "AzeusCare". Consequently, revenue for the segment surged to HK$24.4 million in FY2018 from HK$11.9 million in FY2017. The segment now accounts for 23.8% of the Group's total revenue, compared to 12.1% in FY2017.

Our Maintenance and Support Services segment continues to be Azeus' largest revenue contributor in FY2018, accounting for HK$46.0 million or approximately 45.0% of the total Group revenue for the period. The segment registered a 13.7% decline in revenue from HK$53.3 million in FY2017 due to the expiry of a major maintenance and support outsourcing contract in the beginning of this financial year.

Revenue from Maintenance and Support Services and Azeus Products accounts for a total of 68.8% of the total Group revenue while the revenue from the IT Services segment has a smaller proportion. We expect this segment to grow.

Meanwhile, the IT Services segment, which recorded a lower revenue of HK$31.9 million in FY2018 compared to HK$32.7 million in FY2017, now accounts for approximately 31.2% of the total Group revenue for the period. This was due to a decrease in sales of third-party hardware and software by HK$0.8 million in FY2018. Excluding the third-party hardware and software sales, the Group was able to achieve a same amount of IT Services revenue as compared to FY2017.

Outlook

Entering into FY2019, we believe that Azeus' core business fundamentals remain sound and the Group is in a good position to grow our business by building on the progress we have made last year, particularly for our products business which is an integral growth engine for the Group in the years ahead.

We look forward to continue investing further to attain greater market share for our products and services, and explore opportunities in new markets to diversify our future income streams for greater resilience.

Words of Appreciation

Looking back at FY2018, I am proud of the achievements and progress we have made in growing and developing our products business.

In closing, I would like to express my heartfelt gratitude to all our employees and management team for the dedication and hard work you have put in to make this possible.

To our customers, shareholders and business partners — thank you for your unwavering support and belief in Azeus.

Yours sincerely,

Lee Wan Lik
Founder and Managing Director

MR LEE WAN LIK

Managing Director

Appointed to our Board on 12 May 2004, Mr Lee Wan Lik is responsible for overseeing the Group's overall management and operations, including project management and the provision of consultancy services.

Prior to founding Azeus in 1991, he was a Manager in Oracle Systems (Hong Kong) Limited. In 1990, Mr Lee was a Project Team Leader at the Versant Object Technology Corp.(now Versant Corporation). He was also a Researcher at the Microelectronics and Computer Technology Corporation in the United States from 1987 to 1990.

Mr Lee holds a Bachelor of Science in Computer Science and Engineering and a Bachelor of Science in Mathematics from the Massachusetts Institute of Technology (MIT). He also has a Master of Science in Computer Sciences from the University of Texas. Mr Lee is a fellow member of the Hong Kong Institution of Engineers and past Chairman of its IT division. He is also a Fellow of the British Computer Society and the Institution of Engineering and Technology.

MS LAM PUI WAN

Executive Director

Ms Lam Pui Wan was appointed to our Board on 12 May 2004. She is the Head of Human Resource and Administration and assists our Managing Director in managing Azeus Hong Kong as well as the Group's offshore development centres, Azeus Philippines and Azeus China. Prior to joining our Group, Ms Lam was a Teaching Assistant at the Chinese University of Hong Kong. She holds a Bachelor of Arts from the University of Minnesota.

MR MICHAEL YAP KIAM SIEW

Lead Independent Director

Mr Michael Yap Kiam Siew was appointed as an independent Director of Azeus on 14 September 2004. He is the Founder and Chairman of TNB Ventures Pte Ltd and The Co-Foundry Pte Ltd. Prior, he served as the Deputy Chief Executive Officer of the Media Development Authority of Singapore (MDA) until January 2013. Prior to his position at MDA, Mr Yap was the Chief Executive Officer of Commerce Exchange Pte Ltd. Before that, he was the Chief Executive Officer of the National Computer Board and has served as a board member of various public organisations.

He was also on the board of directors of various companies including public listed ones in Singapore and Malaysia.

Mr Yap holds a Bachelor of Science and a Master of Science from the University of Maryland, College Park, United States. He has also completed the Stanford Executive Program from Stanford University. Mr Yap was named BusinessWeek's 50 Stars of Asia and by the World Economic Forum as one of the Top 100 Future Global Leaders.

MR KOJI MIURA

Independent Director

Mr Koji Miura was appointed as an Independent Director of Azeus on 14 September 2004. He is currently the Founder and Managing Director of Miura & Associates Management Consultants Pte Ltd. Prior to that, Mr Miura worked as a Japanese Consultant in the Japanese Practice Department of Peat Marwick between 1986 and 1989, where he was responsible for servicing and expanding the Japanese clientele base of the firm. He started his career with Sato Kogyo Co. Ltd, a company listed in Japan.

Mr Miura holds a degree in Business Administration from the University of Aoyama Gakuin, Tokyo, Japan.

BOARD OF **DIRECTORS**

MR CHAN CHING CHUEN

Independent Director

Mr Chan graduated from China University of Mining and Technology and Tsinghua University In 1957 and 1959 respectively. Mr Chan is an Honorary Professor at Hong Kong University's Department of Electrical and Electronics Engineering. He was the head of the Department of Electrical and Electronics Engineering, University of Hong Kong from 1994 to 2000. He is the Founding President of World Electric Vehicle Association, Past President of Hong Kong Institution of Engineers. He co-founded the Institute of Sustainable Energy at the Chinese University of Mining and Technology in 2015. He was appointed by the Chief Executive of Macau Special Administrative Region as Science and Technology Advisor.

He is a Fellow of the Royal Academy of Engineering, U.K., the Chinese Academy of Engineering, the Ukraine Academy of Engineering Sciences, Honorary Fellow of Hungarian Academy of Engineering and a Fellow, Vice President (2000 – 2003) and Senior Advisor of Hong Kong Academy of Engineering Sciences. He is also a Fellow of IEEE, IET and HKIE. He is lecturing on electric vehicles worldwide. He was awarded the IEE International Lecture Medal, Gold Medal of Hong Kong Institution of Engineers, World Federation of Engineering Organizations Medal of Engineering Excellence, Prince Philip Medal of Royal Academy of Engineering, Guanghua Engineering Prize of Chinese Academy of Engineering and IEEE Transportation Technologies Award in 2000, 2010, 2013, 2014, 2016 and 2018 respectively.

In 2001, he was selected as one of Asia's Best Technology Pioneers by Asiaweek. During his career, Mr Chan has advised on various consultancy projects for large corporations as well as serving as advisor to government agencies.

Mr Chan graduated from China University of Mining and Technology undergraduate programme and Tsinghua University postgraduate programme in 1957 and 1959 respectively. From 1959 through 1966, Mr Chan started his career lecturing at China University of Mining & Technology. From 1967 through 1976, Mr Chan engaged in the design of new electric machines in Shanghai.

SENIOR **MANAGEMENT**

MR STEPHEN MA

Vice President

Mr Stephen Ma joined Azeus Hong Kong in June 1993 as a Junior Associate. He holds a Bachelor of Science in Computer Science from the University of Hong Kong.

Mr Ma is responsible for the management of professional services in the Group's Hong Kong operation. He has been involved in programme management for the information technology professional services of the Office of Government Chief Information Officer of Hong Kong since 2007.

MR JERRY CHUA

Director of Azeus Philippines

Mr Jerry Chua joined Azeus Philippines in March 1995. He currently assists in the general management of the Group's Philippines operation.

Mr Chua holds a Bachelor of Science in Computer Science from Ateneo de Manila University and a Master of Business Administration from University of the Philippines.

MS MARY ROSE T. TAN

President of Azeus Philippines

Ms Mary Rose T. Tan joined Azeus Philippines in July 1996. She is in charge of the management of the Group's Philippines operations as well as human resource management. Ms Tan also heads the team that is responsible for conducting quality assurance review of project deliverables.

Between 1991 and 1996, she was with Ayala Systems Technology, Inc where she started as a Senior System Analyst and was later promoted to Project Manager and Senior Manager. She had also worked as an Analyst and Programmer at New York City Parks and Recreation Department and PCI Capital Corporation. Ms Tan holds a Bachelor of Science in Industrial Management Engineering from De La Salle University, Taft, Manila and a Master of Science in Computer Science from Pace University, New York.

MISS ELEANOR JIM

Vice President

Miss Eleanor Jim joined Azeus Systems in May 2005. She currently assists in the general management of the Group's overseas operation as well as management of contracts and agreements.

She holds a Bachelor of Engineering in Electrical and Electronic Engineering from the University of Hong Kong and a Master of Science in Information Engineering from the Chinese University of Hong Kong. She also holds a Bachelor of Laws (LLB) from the University of London.

MR RENE TOLING LINDIO

Chief Technology Officer

Mr Rene Toling Lindio is responsible for providing strategic direction for the Group on matters related to technology, technical consultation on technical issues and technical project management for various projects.

Mr Lindio joined Azeus Philippines as a Junior Associate in April 1994 and was promoted to Chief Technology Officer in 2004. He holds a Bachelor of Science in Mathematics from the University of the Philippines – Los Banos.

MS PEGGY SAM

Group Financial Controller

Ms Peggy Sam has been with our Group since 15 March 2004. She is responsible for all financial activities of Azeus.

Between 1994 and 2003, Ms Sam was with Pricewaterhouse Coopers, including a two year secondment to Pricewaterhouse Coopers, Toronto, Canada. Her last position, prior to joining Azeus, was as Senior Manager of the assurance and business advisory service.

Ms Sam holds a Bachelor of Arts in Accountancy from the City University of Hong Kong. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms Sam is also a member of Chartered Professional Accountant of Canada since 2009.

CORPORATE GOVERNANCE **REPORT**

The Directors and the Management of the Company are committed to maintaining a high standard of corporate governance and transparency in order to protect the interests of the shareholders of the Company. Processes and procedures have been instituted and are being constantly reviewed and revised to ensure effective corporate governance.

Rule 710 of the SGX-ST Listing Manual requires an issuer to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2012 (the "Code") in its annual report. An issuer is required to disclose any deviations from any Principles and Guidelines of the Code together with an appropriate explanation for such deviation in the annual report. This report outlines the Company's corporate governance processes and activities with specific reference to the Code. The Company has generally complied with the principles and guidelines as set out in the Code. Where there are deviations from the Code, appropriate explanations have been provided.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board supervises the management of the business and the affairs of the Company and the Group. Apart from its fiduciary duties and statutory responsibilities, it also focuses on formulating the strategic direction and policies of the Company and the Group, paying particular attention to the growth of the Group and its financial performance. It has delegated the formulation of business policies and day-to-day management to the Executive Directors.

The principal functions of the Board are to:

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks such as financial, operational, information technology and compliance to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board meets at least twice a year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving acquisitions and financial performance, and to endorse the release of the interim and annual results. Ad hoc meetings are held as and when circumstances require, such as to address significant transactions or issues. Where physical meetings are not possible, timely communication with members of the Board and Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company's Bye-Laws provides for Directors to participate in Board by means of teleconference, video-conferencing and visual equipment.

To assist in the efficient implementation and execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee. Specific responsibilities, which are outlined in the respective Terms of Reference, have been delegated to each of the committees. Each Board Committee will report to the Board and makes its recommendations to the Board on matters under its purview. The Board accepts that while these Committees have the authority to examine particular issues and will report to the Board their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board through the Nominating Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. Newly appointed directors are briefed on the Group's business activities and governance practices and provided with information on their duties and obligations as a director under the Bermuda law. A formal letter of appointment will also be sent to any newly appointed Director setting out his/her duties and obligations upon his/her appointment.

Existing Directors are encouraged to attend courses to update their knowledge and better equip themselves to discharge their duties as a Director and such courses may be funded by the Company, subject to the approval of the Chairman.

During the financial year ended 31 March 2018, the number of meetings held by the Board and its committees and the details of the attendances are as follows:-

	Board of Directors	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
Number of Meetings held	2	2	1	1
Name	**Number of Meetings attended**			
Mr Lee Wan Lik (Managing Director) - spouse of Lam Pui Wan	2	2*	1*	1
Ms Lam Pui Wan (Executive Director) - spouse of Lee Wan Lik	2	2*	1*	1*
Mr Michael Yap Kiam Siew (Independent Director)	2	2	1	1
Mr Koji Miura (Independent Director)	2	2	1	1*
Mr Chan Ching Chuen (Independent Director)	1	1	1	1

Notes: *- by invitation

Key matters that are specifically reserved for the Board's consideration and decision include, but are not limited to, corporate planning, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, formulation of any dividend policy or the change of such dividend policy, declaration of dividends and determining the remuneration policy for the Directors.

Principle 2: Board Composition and Guidance

The Board currently comprises of 5 members, three of whom are Independent Directors. A brief profile of each Director is presented in the profile of Board of Directors section of this Annual Report and their shareholdings in the Company and its subsidiaries as at 31 March 2018 are disclosed in the Directors' Report of the Audited Financial Statements for the financial year ended 31 March 2018.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

The Nominating Committee is responsible for reviewing the composition of the Board to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Board in consultation with the Nominating Committee has reviewed its composition and is satisfied that such composition ensures that there is adequate representation in respect of potential issues and challenges, without compromising the Board's effectiveness and participation in decision-making. Objectivity on issues deliberated by the Board is assured, given the majority of Non-Executive Directors who are independent of management and are also independent in terms of character and judgement.

Even though Mr Michael Yap Kiam Siew and Mr Koji Miura have served on the Board for more than nine years, the NC, with the concurrence of the Board, is of the view that in assessing the independence of the Independent Directors, one should consider the substance of their professionalism, integrity and the objectivity and not merely based on the number of years which they have served on the Board. In view of this, having considered the above and weighing the need for progressive refreshing of the Board, the NC and the Board have determined that both Mr Yap and Mr Miura's tenure in office have not affected their independence or ability to bring about independent and considered judgement to bear in the discharge of their duties as members of the Board. They provide a strong independent element on the Board, being free from any business or other relationship, which could materially interfere with the exercise of their judgement. These Directors continue to provide stability to the Board and the Company has benefited greatly from the presence of individuals who are specialists in their own field. Furthermore, their length of service on the Board has not only allowed them to gain valuable insight into the Group, its business, markets and industry, but has also given them the opportunity to bring the full breadth and depth of their business experience to the Company.

The Non-Executive Directors met up without the presence of Management, to facilitate a more effective check on the Management.

Principle 3: Chairman and Chief Executive Officer ("CEO")

The Group's Executive Chairman, Managing Director (equivalent to CEO) is Mr Lee Wan Lik, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of the flow of information between the Board and the Management. Mr Lee is the founder of the Group and has played a key role in developing the Group's business. He is being assisted by a group of Executive Directors and Executive officers in carrying out his executive duties and responsibility for the Group's operation and business. Through the Group's success and development in these few years, Mr Lee has demonstrated his vision, strong leadership and enthusiasm in this business.

The NC, with the concurrence of the Board is of the opinion that vesting the roles of both Chairman and Managing Director in the same person who is knowledgeable in the business of the Group provides strong and consistent leadership, thus allowing for more effective planning and execution of long term business strategies. As such, there is no need for the role of the Chairman and Managing Director to be separated. The NC will review the need to separate the roles from time to time and make its recommendations accordingly. The role of Mr Lee as the Chairman and Managing Director of the Company does not affect the independence of the Board as the Independent Directors make up more than 50% of the Board.

Taking cognizance that the Chairman and the Managing Director are the same person, the Board has since financial year ended 31 March 2015, appointed Mr Michael Yap Kiam Siew as the Lead Independent Director ("LID") of the Company. Mr Yap will be available to shareholders where they have concerns where contact through the normal channels of the Chairman, Managing Director or Group Financial Controller has failed to resolve or for which such contact is inappropriate. He can also facilitate periodic meetings with the other Independent Directors in board matters, when necessary and provides feedback to the Executive Chairman after such meeting.

His other specific roles as LID are as follows:

(a) act as liaison between the Independent Directors and the Executive Chairman and Managing Director and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Executive Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;

(b) advise the Executive Chairman of the Board as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties; and

(c) assist the Board and Company officers in better ensuring compliance with and implementation of corporate governance.

Principle 4: Board Membership

The Nominating Committee ("NC") comprises Mr Chan Ching Chuen as Chairman, Mr Michael Yap Kiam Siew and Mr Lee Wan Lik as members.

The NC should make recommendations to the Board on relevant matters relating to:-

(a) the review of board succession plans for directors, in particular, the Chairman and for the CEO;

(b) the evaluation of the performance of the Board and Board Committees as a whole;

(c) the review of training and professional development programs for the Board; and

(d) the appointment and re-appointment of directors (including alternate directors, if applicable).

The NC has adopted the Code's definition and criteria for independence. Each Independent Director is required to submit a Confirmation of Independence Form annually for the NC's review.

During the year, the NC has reviewed the independence of the Independent Directors according to the criteria set out in the Code. These Directors have demonstrated strong independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors. They continue to express their individual viewpoints, debate on issues, objectively scrutinise and challenge Management's proposals as well as participate in discussions on business activities and transactions involving conflicts of interests and other complexities.

Having considered the above, the NC is of the view that Mr Michael Yap Kiam Siew, Mr Koji Miura and Mr Chan Ching Chuen are independent. All three directors have abstained from any discussion and recommendation in respect of their own independence.

None of the above three Independent Directors are related to, and do not have any relationship with, the Company, its related corporations, its 10% shareholders, or its officers or are in any circumstances that could interfere, or be reasonably perceived to be interfere, with the exercise of their independence business judgement with a view to the best interests of the Company. The Board has concurred with the NC's assessment.

Subject to the Board's approval, the NC will also decide on how the Board's performance is to be evaluated, and propose objective performance criteria which are dependent on how the Board has enhanced long-term shareholder value. Appointments to the Board are made on merit and against objective performance criteria.

To help build a culture of performance and stewardship amongst its Board members, the Group ensures that all the Directors step down and offer themselves for re-election at regular intervals of at least once every three (3) years. The Company's Bye-Laws provide that at least one-third of the directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation.

For the forthcoming Annual General Meeting ("AGM"), the NC has recommended that Ms Lam Pui Wan and Mr Koji Miura who will retire pursuant to Bye-Law 104 of the Company's Bye-Laws, to be nominated for re-election. In making the recommendation, the NC had considered the Directors' overall contributions and performance and competencies in fulfilling their responsibilities as Directors to the Board.

The NC has recommended the re-election of the retiring Directors and the Board has accepted the NC's recommendation. Please refer to the notice of AGM for the resolutions put forth in relation to their respective re-elections.

There is no alternate director appointed to the Board as at the date of this Annual Report.

In the selection and nomination for new directors, the NC identifies the key attributes that an incoming director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of the directors' personal contacts for recommendations of potential candidates. The potential candidates will go through a short listing process. Interviews are then set up with the short listed candidates for the NC to assess them before a decision is made.

A newly appointed Director will have to submit himself for retirement and election at an AGM immediately following his appointment and thereafter, be subjected to retirement by rotation. No new Director was appointed by the Company in FY2018.

Each member of the NC shall abstain from voting on any resolution with respect to the assessment of his performance for re-nomination as a Director.

The Board has set the maximum number of 10 listed company board representations which any Director of the Company may hold at any one time. All Directors have complied with this requirement. A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary.

The NC, having considered the confirmations received from the Independent Directors, is of the view that the other board representations and principal commitments of the Independent Directors do not hinder them from carrying out their duties to the Company. The NC is satisfied that sufficient time and attention have been accorded by these Independent Directors to the affairs of the Company. The Board concurred with the NC's views.

Please refer to the Profile of Board of Directors as set out on Page 9 of the Annual Report for key information on the Directors.

Principle 5: Board Performance

The NC will assess the effectiveness of the Board and its board committees as a whole.

The NC, in considering the re-appointment of a Director, will evaluate the performance of the Director's contributions such as his or her attendance record at meetings of the Board and Board committees, active participation during these meetings and the quality of his or her contributions. The NC has initiated the assessment of the effectiveness of the Board as a whole on an annual basis. The evaluation of the Board's performance is conducted by means of a questionnaire which is then collated and the findings analysed and discussed. The results of the Board's performance assessment are reviewed and circulated to the Board for consideration. Recommendations to further enhance the effectiveness of the Board are implemented as appropriate.

The Board has allocated budgets for directors to attend training and will make recommendations to the Board on the training and professional development programmes for the Board members.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Management provides the Board with management reports containing complete, adequate and timely information prior to Board meetings and as and when the need arises. Papers containing relevant background or explanatory information required to support the decision-making process, are prepared for each Board meeting and are normally circulated in advance of the meeting.

The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Company's operating environment. Orientation to the Company's business strategies and operations is conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary or his representatives administer, attend and prepare minutes of the Board meetings, and assist the Chairman in ensuring that the Board procedures are followed and reviewed so that the Board functions effectively. The Company Secretary or his representatives also advise the Board on governance matters, and assist the Board on compliance with the Company's Bye-Laws and relevant rules and regulations, including requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST).

The appointment and the removal of the company secretary should be a matter reserved for the Board.

The Board, in the furtherance of their duties, may either individually or as a group, to take independent professional advice at the expense of the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises Mr Michael Yap Kiam Siew as Chairman and Mr Koji Miura and Mr Chan Ching Chuen as members. All of them are Independent Directors of the Company.

The RC is responsible for:-

(a) recommending to the Board a remuneration framework for the Board key management personnel;

(b) determining a specific remuneration package for each Director and each of the key management personnel; and

(c) considering all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

The RC can access to expert advice in the field of Executive compensation outside the Company, as and when required. Such expenses are to be borne by the Company.

The Board has not engaged any external remuneration consultant to advise on the remuneration matters for FY2018.

Principle 8: Level and Mix of Remuneration

The Executive Directors do not receive director's fees. The remuneration of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole or their individual performance.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company. The company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event such breach of fiduciary duties.

Principle 9: Disclosure on Remuneration

Directors' remuneration

A breakdown, showing the level and mix of each individual director's remuneration paid or payable for the financial year ended 31 March 2018 is as follows:

Name of Director	Salary	Bonus	Director's fees	Termination, retirement and post-employment benefits	Total
Mr Lee Wan Lik– spouse of Lam Pui Wan	HK$600,000	–	–	HK$18,000	HK$618,000
Mr Michael Yap Kiam Siew (S$28,000)	–	–	HK$161,809	–	HK$161,809
Mr Koji Miura (S$25,000)	–	–	HK$144,473	–	HK$144,473
Mr Chan Ching Chuen (S$25,000)	–	–	HK$144,473	–	HK$144,473
Ms Lam Pui Wan – spouse of Lee Wan Lik	HK$208,000	–	–	–	HK$208,000

The Company only has 6 key management personnel and the disclosure of their remuneration in bands of S$250,000 for the financial year ended 31 March 2018 is as follows:

Remuneration band and name of key management personnel	Salary	Bonus	Termination, retirement and post-employment benefits	Total
Individual remuneration is <S$250,000 (approximately HK$1,500,000)				
Mr Stephen Ma	98%	–	2%	100%
Mr Jerry Chua	78%	–	22%	100%
Mr Rene Toling Lindio	77%	–	23%	100%
Ms Mary Rose T. Tan	74%	–	26%	100%
Ms Peggy Sam	100%	–	–	100%
Miss Eleanor Jim	98%	–	2%	100%
Total remuneration paid in FY 2018 to the key management personnel	HK$3,236,333	–	HK$336,854	HK$3,573,187

The remuneration of the Independent Directors is in the form of a fixed fee. The fees of the Directors will be subject to shareholders' approval at the AGM. The RC is of the view that the current remuneration of the Independent Directors is appropriate, taking into account factors such as effort and time expended and responsibilities. Other than Directors' fees, the Independent Directors do not receive other form of remuneration from the Company. The RC has recommended the payment of the Directors' fees of S$78,000 for the financial year ended 31 March 2018. This recommendation has been endorsed by the Board and will be tabled at the Company's AGM for shareholders' approval.

Mr Lee Wan Lik has entered into a service agreement (the "Service Agreement") with the Company. The Service Agreement is valid for a term of one year with effect from 3rd September 2004, and thereafter continues from year to year unless terminated in accordance with the provisions of the Service Agreement. The Service Agreement can be terminated by either party giving not less than three months' notice provided that the Company shall have the option to pay three months' salary in lieu of any required period of notice. Except for such payment in lieu of notice as provided for under the Service Agreement, no compensation or damages are payable by the Company to Mr Lee Wan Lik in respect of his termination in accordance with the terms of the Service Agreement.

There are no employees who are immediate family members of a Director whose remuneration exceeded S$50,000 in the financial year ended 31 March 2018.

Annual bonus

The remuneration packages of the Executive Directors and key management personnel include a discretionary variable annual bonus which is based on the Company's and the individual's performance and have been designed to align their interests with those of shareholders. The key management personnel have met the performance conditions required of them for the financial year ended 31 March 2018.

Share option scheme

The Company has a share option scheme known as the Azeus Employee Share Option Scheme (the "Scheme"), which was approved by shareholders of the Company. The Scheme complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The Scheme will provide eligible participants with an opportunity to participate in the equity of the Company, so as to incentivise and motivate them towards better performance through increased dedication and loyalty. The Scheme is administered by the RC. Under the Scheme, the aggregate number of shares to be issued shall not exceed 15 per cent of the total issued number of the issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time. Further details of the Scheme can be found on page 25 of the Annual Report. No options have been granted to controlling shareholders, key management or employees of the Company and its subsidiaries or their associates since the inception of the Scheme.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a half-yearly basis.

In order to keep the Board informed about the developments in the Company, the Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis. The Management also provides the Board with timely, accurate and complete information on all matters requiring the Board's decision.

Principle 11: Risk Management and Internal Controls

The Board is responsible for ensuring that there is a system of internal financial controls, operational and compliance controls and information technology controls, and risk management policies and for reviewing its adequacy and effectiveness. The Management is responsible for internal control and for ensuring compliance therewith. The Audit Committee assists the Board in discharging its internal control review responsibilities. The Board makes continuous efforts to embed internal controls into the operations of the businesses and to deal with areas of improvement which come to the attention of Management and the Board.

The Company does not have a Risk Management Committee. However, Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC. The Group's financial risk management is disclosed under Note 28 of the Notes to the Financial Statements on Pages 61 to 67 of this Annual Report.

The Company has engaged BDO Financial Services Limited, the internal auditor, to perform a risk assessment update and perform a follow-up review and test of key controls for identified risks in key areas of the Group's operations, with the objectives of mitigating the risks and enhancing operating effectiveness. Material non-compliance and internal control weaknesses as well as recommendations for improvements noted during the audit will be reported to the AC. The AC will review the effectiveness of the action taken by the Management on the recommendations made by the internal auditor in this respect.

The Board notes that these internal control systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

For FY2018, the AC has reviewed the Internal Auditor Report presented by the Internal Auditors. The AC and the Board are of the view that based on the reports from the internal auditor, the system of internal controls that has been maintained by Management throughout the financial year is adequate to meet the needs of the Company.

The Board has received written assurances from the Managing Director and the Group Financial Controller (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) that the risk management and internal control systems of the Company is adequate and effective to deal with major risks relating to financial, operational, information technology and compliance aspects.

Based on the systems of risk management and internal controls established and maintained by the Group, work performed and reports by the internal and external auditors and the above written assurances, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems, addressing the financial, operational, compliance and information technology risks, are effective and also adequate.

Principle 12: Audit Committee ("AC")

The AC comprises three independent Non-Executive Directors, with Mr Koji Miura as Chairman, and Mr Michael Yap Kiam Siew and Mr Chan Ching Chuen as members. The Board is of the view that the AC members are appropriately qualified, having the necessary recent and relevant accounting and/or related financial management expertise or experience as the Board interprets such qualifications to discharge their responsibilities.

The AC has kept the recent and relevant accounting or related financial management expertise or experience up-to-date by attending the training provided by the relevant regulatory parties.

In addition, the auditor of the Company provides update on recent developments to accounting standards to AC members on half yearly basis to ensure all AC members and management to keep abreast of the changes to accountings standards and issues which have a direct impact on financial statements.

The AC will meet periodically to, inter alia:

(a) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) review with the internal auditor their audit plan and report to the Board at least annually the adequacy of the internal audit procedures and their evaluation of the effectiveness of the Company's overall internal controls, including financial, operational, compliance and information technology controls;

(c) review interested person transactions, if any, to ensure that the internal control and review procedures are adhered to;

(d) review the scope and results of the external audit, and the independence and objectivity of the external auditors; and

(e) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

Apart from the above functions, the AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company's operating results or financial position. Each member of the AC will abstain from voting in respect of matters in which he is interested.

The AC is empowered to investigate any matter relating to the group's accounting, auditing, internal controls and/or financial practices brought to its attention, with full access to records, resources and personnel, so as to enable it to discharge its functions properly.

The AC, having reviewed the volume of non-audit services to the Company by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The AC has accordingly recommended to the Board that the auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment as auditor at the forthcoming AGM of the Company.

For the financial year ended 31 March 2018, remuneration paid and payable to PricewaterhouseCoopers LLP in relation to audit and non-audit services were HK$1,273,000 and HK$30,900 respectively.

In line with the Code, a private session between the AC with the external and the internal auditors was held to discuss any matters concerning the Company without the presence of the Management. Both the internal and external auditors have confirmed that they have access to and received the co-operation and assistance from Management and no restrictions were placed on the scope of their respective audits.

The AC has confirmed the Company has complied with Rule 712 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) in that PricewaterhouseCoopers (“PwC”) LLP is registered with the Accounting and Corporate Regulatory Authority. The AC is satisfied that the resources and experience of PwC, the audit engagement partner and her team assigned to the audit of the Group are adequate to meet their audit obligations, given the size, nature and operations of the Group.

The Group has one Singapore subsidiary and it is dormant and not required to be audited. Other than the overseas subsidiaries which were exempted from audit requirement under their respective laws of the country of incorporation, the overseas subsidiaries of the Group are either audited by a member firm of PwC or by the suitable auditing firms in their respective country of incorporation.

The AC and the Board are satisfied that the appointment of different auditing firms for its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The AC confirmed that the Company has complied with Rules 715 and 716 of the Listing Manual of the SGX-ST.

Although PwC was not appointed as the statutory auditor of certain subsidiaries for the issuance of the local statutory financial statements, they have performed adequate audit work on the Group independently, including the subsidiary, in forming their audit opinion for the financial year ended 31 March 2018. Please refer to Note 16 under the Notes to the Financial Statements on Page 51 of this Annual Report.

Principle 13: Internal Audit

The Company has outsourced its internal audit function to an independent qualified firm of auditors - BDO Financial Services Limited, as its internal auditor, to review the effectiveness of the Company’s material internal controls. The AC will hire, remove, evaluate and remunerate the internal auditor.

The resulting report issued by the internal auditor is reviewed in detail by the AC in conjunction with Management. The AC will consider the effectiveness of responses / actions taken by Management on the audit recommendations and observations.

SHAREHOLDERS’ RIGHT AND RESPONSIBILITIES

Principle 14: Shareholder Rights

The Company respects and upholds shareholders’ rights, and tenders its communication with shareholders with care. The Board recognises and exercises its overall responsibility to shareholders, by ensuring accurate financial reporting for the Company’s overall internal control framework, including financial, operational, information technology and compliance controls, risk management policies and through systems needed to safeguard the shareholders’ investments and assets of the Company. The Company’s Bye-Laws were amended to provide for the attendance by nominees of shareholders at general meetings. The Company encourages and facilitates shareholder engagement and participation through its meetings and briefings referred to in Principle 15 (below).

Principle 15: Communication with Shareholders

The Company engages in regular, effective and fair communication with shareholders. The Board is mindful of the obligations to provide timely information and full disclosure of material information to shareholders in accordance with the statutory requirement and the listing manual of the SGX-ST. Information is communicated to shareholders on a timely basis. All material information and financial results are released through SGXNET.

Notice of the AGM or the Special General Meeting ("SGM"), if any, and Annual Reports are issued to all shareholders of the Company. The Notice of AGM or SGM is also advertised in newspaper and announced via SGXNET. Information on major new initiatives of the Company is also disseminated via SGXNET, news release and made available on the Company's website.

Regular meetings are held with investors, analysts, fund managers and the press. The Group also has a corporate web-site (www.azeus.com) where shareholders and members of the public are able to access up-to-date corporate information and new events related to the Group.

While the Company has no official policy on the payment of dividends, it has consistently paid out the bulk of its profits as dividends since its listing in 2004. The amount of dividends paid each year will depend on factors that include the Group's profit level, cash position and future cash needs.

Subject to shareholders' approval at the forthcoming AGM, the Board is recommending a first and final dividend of 6.2HK cents per share for the financial year ended FY2018.

Principle 16: Conduct of Shareholder Meetings

The AGM of the Company represents the principal forum for dialogue and interaction with all shareholders. At each AGM, the Board welcomes questions from shareholders who have an opportunity to raise questions or share their views regarding the proposed resolutions and the Company's business and affairs, either informally or formally before or at the AGM.

The Chairman of the Board Committees, Directors, senior management and external auditors will be present and available at the general meeting to attend to the queries/questions from shareholders.

As a matter of policy and practice, minutes of general meetings including comments from shareholders, on all or any issues on the agenda, and responses from the Board and Management, are always available to shareholders upon request.

In compliance with the listing rules of the SGX-ST and to promote greater transparency in general meetings and enhancing shareholders' engagement, the Company has been conducting voting by poll on all resolutions tabled at all general meetings since 1 August 2015.

Separate resolutions are proposed at general meetings for each distinct issue. Details results of the poll voting on each resolution tabled at the general meetings (with the number of votes cast for and against each resolution and the respective percentages) are released via SGXNet on the same day after the conclusion of the general meeting.

The Company has not amended its Bye-Laws to provide for absentia voting method. As the authentication of Shareholder identity information and other related security issues remain a concern, the Company has decided, for the time being, not implement voting in absentia by mail, e-mail or fax.

Code of Business Conduct

The Directors, officers and employees are required to observe and maintain high standards of integrity, as are in compliance with law and regulations and the Company's policies.

Dealings in Securities

The Company has adopted an internal code of practice for securities transactions by all Directors, officers and employees of the Group in compliance with Rule 1207(19) of the Listing Manual of SGX-ST.

In compliance with the above-mentioned Rule, Directors, officers and employees of the Group have been advised not to trade in the listed securities of the Company when in possession of unpublished price-sensitive information or on short-term considerations. Directors, officers and employees are also advised not to trade in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial results and ending on the day of the announcement of the relevant results. All directors, officers and managers are required to file with the Company regular reports on all their dealings in the listed securities of the Group during the financial year.

Material Contracts

There were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, directors or controlling shareholders, which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Interested Person Transactions

The Group has adopted an internal policy in respect of any transactions with interested persons and established procedures for the review and approval of such transactions.

An interested person transactions will be properly documented and submitted to the AC for half-yearly review to ensure that they are carried out on an arm’s length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no significant interested person transactions during the financial year.

Whistle Blowing Policy

The whistle blowing policy of the Group serves to encourage and provide a good channel to employees to report and to raise, in good faith and in confidence, concerns about possible improprieties in financial reporting, criminal activities, failure to comply with the laws and regulations, any suspected wrongdoing of fraud or other matters. A well-defined process ensures independent investigation of such matters and the assurance that employees will be protected to the extent possible from reprisals. Under the policy, employees may report their concerns to either the human resource department or even approach the Independent Directors. There were no whistle blowing incidents reported during the year.

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 March 2018 and the balance sheet of the Company as at 31 March 2018.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 30 to 73 are drawn up so as to present fairly, in all material aspects, of the financial position of the Company and of the Group as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr Lee Wan Lik
Ms Lam Pui Wan
Mr Michael Yap Kiam Siew
Mr Koji Miura
Mr Chan Ching Chuen

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		**Holdings in which director is deemed to have an interest**	
	At 31.3.2018	At 1.4.2017 or date of appointment if later	**At 31.3.2018**	At 1.4.2017 or date of appointment If later
Azeus Systems Holdings Ltd.				
(No. of ordinary shares)				
Mr Lee Wan Lik	**8,032,132**(1)	8,032,132(1)	**15,300,000**(2)	15,300,000(2)
Ms Lam Pui Wan	**1,400,000**(1)	1,400,000(1)	**15,300,000**(2)	15,300,000(2)
Ultimate Holding Corporation - Mu Xia Ltd				
(No. of ordinary shares)				
Mr Lee Wan Lik	**1,200**	1,200	**10,800**	10,800
Ms Lam Pui Wan	**10,800**	10,800	**1,200**	1,200

(1) Ms Lam Pui Wan is the spouse of Mr Lee Wan Lik. Hence, both Ms Lam Pui Wan and Mr Lee Wan Lik are deemed to be interested in the shareholdings held by each other.

(2) Mr Lee Wan Lik and Ms Lam Pui Wan are also each deemed to be interested in these shares held by Mu Xia Ltd by virtue of them holding equity interest of 10% and 90% respectively in Mu Xia Ltd.

Directors' interests in shares or debentures (continued)

(b) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had interests in the options to subscribe for ordinary shares of the Company granted pursuant to the Azeus Employee Share Option Scheme.

(c) The directors' interests in the ordinary shares of the Company as at 21 April 2018 were the same as those as at 31 March 2018.

Share options

Azeus Employee Share Option Scheme

On 14 September 2004, the shareholders at a Special General Meeting approved an employee share option scheme known as the "Azeus Employee Share Option Scheme" (the "Scheme") to grant share options to eligible employees, including executive and non-executive directors of the Company and its subsidiaries. However, qualified persons who are also the Company's controlling shareholders or their associates may not participate in the Scheme. The options grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to the market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the last dealt prices of the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the three consecutive Market Days immediately preceding the date of the grant of the option.

The Scheme is administered by the Remuneration Committee which comprises the following three directors:

Mr Michael Yap Kiam Siew (Chairman)
Mr Koji Miura
Mr Chan Ching Chuen

The remuneration committee has been authorised to determine the terms and conditions of the grant of the options.

No option has been granted to any shareholders, key management personnel or employees of the Company and its subsidiaries or their associates since the inception of the Scheme.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Lee Wan Lik Director	Lam Pui Wan Director

14 June 2018

INDEPENDENT AUDITOR'S **REPORT**

To the Members of Azeus Systems Holdings Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements of Azeus Systems Holdings Ltd. (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company present fairly, in all material respects, the financial position of the Group and Company as at 31 March 2018, and its financial performance, changes in equity and cash flows for the financial year then ended in accordance with Financial Reporting Standards in Singapore ("FRSs").

What we have audited

The financial statements comprise:

- the consolidated statement of profit and loss and other comprehensive income of the Group for the year ended 31 March 2018;
- the consolidated balance sheet of the Group as at 31 March 2018;
- the balance sheet of the Company as at 31 March 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matter

Key audit matter is those matter that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 March 2018. These matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matter.

Our Audit Approach (continued)

Key Audit Matter (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Capitalisation and valuation of development costs as intangible assets - Azeus Products	
The Group internally develops and capitalises qualified development costs for Azeus Products. These capitalised development costs are assessed for impairment in accordance with FRS 36 Impairment of Assets. Qualified internally development costs for the Azeus Products (Note 18) capitalised as intangible assets during the year ended 31 March 2018 amounted to approximately HK$7.4 million (FY2017: HK$10.9 million) and the net book value at 31 March 2018 was approximately HK$14.8 million (FY2017: HK$15.5 million). In carrying out the impairment assessments, significant judgments are required to determine the assumptions particularly the growth rates and discount rates. Management has recorded an impairment charge of HK$1.9 million for the financial year ended 31 March 2018. We focused on the development costs capitalised as intangible asset as the capitalisation and impairment assessments involve significant judgment.	We have assessed if the capitalised costs are directly attributable to the development of Azeus Products and in accordance with the relevant accounting standard. We have performed the following procedures to evaluate the impairment assessments: ● assessed the reasonableness of key assumptions based on our knowledge of the business and industry and with comparison to recent performance; ● performed sensitivity analyses on the key assumptions (growth rate and discount rate) as they are highly judgmental and most sensitive ● tested source data to supporting evidence, available market data and considered the reasonableness of the cash flow forecasts. We found the assumptions in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Other Information

Management is responsible for the other information. The other information comprises all sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with FRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms Charlotte Hsu Yuh Feng.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 14 June 2018

CONSOLIDATED STATEMENT OF
PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	4	**102,360**	97,893
Cost of sales	5	**(69,986)**	(72,419)
Gross profit		**32,374**	25,474
Other income	7	**7,758**	525
Other gains/(losses) - net	8	**4,546**	(4,943)
Expenses			
- Selling and marketing	5	**(14,765)**	(16,218)
- Administrative	5	**(27,084)**	(26,123)
Profit/(loss) before income tax		**2,829**	(21,285)
Income tax expense	9	**(964)**	(322)
Total profit/(loss)		**1,865**	(21,607)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation (losses)/gains arising from consolidation		**(3,447)**	3,523
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined retirement benefits	20	**8,752**	(1,931)
Tax on actuarial (gains)/losses		**(875)**	193
		7,877	(1,738)
Other comprehensive income, net of tax		**4,430**	1,785
Total comprehensive income/(loss)		**6,295**	(19,822)
Profit/(loss) attributable to:			
Equity holders of the Company		1,865	(21,607)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		6,295	(19,822)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company (HK cents per share)			
- Basic	10	6.22	(72.02)
- Diluted	10	6.22	(72.02)

The accompanying notes form an integral part of these financial statements.

BALANCE **SHEETS**

As at 31 March 2018

	Notes	Group 2018 HK$'000	Group 2017 HK$'000	Company 2018 HK$'000	Company 2017 HK$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**58,619**	38,856	**3,054**	644
Pledged bank deposits	11	**1,504**	2,249	**–**	–
Trade and other receivables	12	**21,607**	24,594	**46,593**	52,350
Unbilled revenue on service contracts	14	**12,769**	19,016	**–**	–
Inventories	15	**5,285**	1,423	**–**	–
Current income tax assets	9	**1,566**	1,580	**–**	–
		101,350	87,718	**49,647**	52,994
Non-current assets					
Refundable deposits		**1,382**	1,398	**–**	–
Investments in subsidiaries	16	**–**	–	**50,467**	50,386
Property, plant and equipment	17	**952**	983	**–**	–
Intangible assets	18	**14,803**	15,491	**–**	–
Deferred income tax assets	21	**219**	1,124	**–**	–
		17,356	18,996	**50,467**	50,386
Total assets		**118,706**	106,714	**100,114**	103,380
LIABILITIES					
Current liabilities					
Trade and other payables	19	**10,288**	5,629	**1,457**	1,257
Advances received from customers		**2,488**	3,303		
Deferred revenue		**13,739**	5,327	**–**	–
Current income tax liabilities	9	**955**	80	**–**	–
		27,470	14,339	**1,457**	1,257
Non-current liabilities					
Deferred revenue		**952**	133	**–**	–
Provision for defined retirement benefits	20	**2,099**	10,415	**–**	–
Other payables	19	**92**	29	**–**	–
		3,143	10,577	**–**	–
Total liabilities		**30,613**	24,916	**1,457**	1,257
NET ASSETS		**88,093**	81,798	**98,657**	102,123
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	**46,800**	46,800	**46,800**	46,800
Share premium	23	**56,489**	56,489	**56,726**	56,726
Foreign currency translation reserve		**1,524**	4,971	**–**	–
Other reserves	23	**1,350**	1,330	**–**	–
Defined retirement benefits		**89**	(7,788)	**–**	–
Accumulated losses	24	**(18,159)**	(20,004)	**(4,869)**	(1,403)
Total equity		**88,093**	81,798	**98,657**	102,123

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
For the Financial Year Ended 31 March 2018

		Attributable to equity holders of the Company						
	Notes	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Other reserves HK$'000	Defined retirement benefits HK$'000	(Accumulated losses)/retained profits HK$'000	Total equity HK$'000
2018								
Beginning of financial year		**46,800**	**56,489**	**4,971**	**1,330**	**(7,788)**	**(20,004)**	**81,798**
Profit for the year		–	–	–	–	–	1,865	1,865
Other comprehensive (loss)/ income for the year		–	–	(3,447)	–	7,877	–	4,430
Total comprehensive (loss)/ income for the year		**–**	**–**	**(3,447)**	**–**	**7,877**	**1,865**	**6,295**
Transfer from retained profits to other reserves		–	–	–	20	–	(20)	–
End of financial year		**46,800**	**56,489**	**1,524**	**1,350**	**89**	**(18,159)**	**88,093**
2017								
Beginning of financial year		46,800	56,489	1,448	1,330	(6,050)	2,944	102,961
Loss for the year		–	–	–	–	–	(21,607)	(21,607)
Other comprehensive income/ (loss) for the year		–	–	3,523	–	(1,738)	–	1,785
Total comprehensive income /(loss) for the year		–	–	3,523	–	(1,738)	(21,607)	(19,822)
Dividend relating to 2016 paid	25	–	–	–	–	–	(1,341)	(1,341)
End of financial year		46,800	56,489	4,971	1,330	(7,788)	(20,004)	81,798

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the Financial Year Ended 31 March 2018

		Group	
	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Total profit/(loss)		1,865	(21,607)
Adjustments for:			
- Income tax expense	9	964	322
- Depreciation of property, plant and equipment	17	470	400
- Amortisation of intangible assets	18	8,104	8,679
- Interest income	7	(14)	(20)
- Loss on disposal of property, plant and equipment	17	8	–
- Defined retirement benefits expense	20	1,235	1,481
		12,632	(10,745)
Change in working capital:			
- Inventories		(3,862)	(1,074)
- Trade and other receivables		1,158	(4,650)
- Unbilled revenue on service contracts		6,217	3,602
- Refundable deposits		16	(1,010)
- Pledged bank deposits		745	1,540
- Trade and other payables		1,832	(338)
- Provision for defined retirement benefits		(671)	(1,835)
- Deferred revenue		9,231	1,641
- Advances received from customers		(815)	(1,694)
Cash generated from/(used in) operations		26,483	(14,563)
Income tax (paid)/recovered	9	(66)	418
Net cash provided by/(used in) operating activities		26,417	(14,145)
Cash flows from investing activities			
Additions to property, plant and equipment		(443)	(452)
Additions to intangible assets		(7,416)	(10,927)
Interest received		14	20
Net cash used in investing activities		(7,845)	(11,359)
Cash flows from financing activities			
Dividends paid to equity holders of the Company	25	–	(1,341)
Cash used in financing activities		–	(1,341)
Net increase/(decrease) in cash and cash equivalents		18,572	(26,845)
Cash and cash equivalents			
Beginning of financial year	11	38,856	64,562
Effects of currency translation on cash and cash equivalents		1,191	1,139
End of financial year	11	58,619	38,856

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Azeus Systems Holdings Ltd. (the "Company") is listed on the Singapore Exchange and incorporated as an exempt company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM1, Bermuda. The principal place of business of the Company is 22nd Floor, Olympia Plaza, 255 King's Road, North Point, Hong Kong.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in Note 16.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017/18

On 1 April 2017, 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 provisions 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.

2.2 Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Service contracts

A service contract is a contract specifically negotiated for the provision of IT services, including sales of hardware and software products as required under the relevant contract terms.

When the outcome of a service contract can be estimated reliably, contract revenue for the provision of IT services is recognised by using the stage of completion method. The stage of completion is measured by reference to the percentage of actual time costs incurred to date to estimated total time costs. When the outcome of a service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(a) Service contracts (continued)

Contract costs are recognised when incurred. When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract and are presented as inventories or unbilled revenue on service contracts depending on their nature.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as unbilled revenue on service contracts in the balance sheet. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on service contracts.

(b) Maintenance fees

Maintenance fees are recognised pro-rata over the period of maintenance. Payments received relating to future periods are treated as advances received from customers in the balance sheet.

(c) Support services fees

Support service fees are recognised when the services are rendered.

(d) Product licensing income

Product licensing income are revenue from the sale of Azeus Software License and represents subscription revenue which is recognised ratably over the contract terms beginning on the commencement date of each contract, which is the date the Group's service is made available to customers. Amounts that have been invoiced are recorded in "trade and other receivables" and in "deferred revenue" or "revenue", depending on whether the revenue recognition criteria have been met.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph 2.6 "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) Measurement (continued)

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold improvements	3 - 5 years
Furniture and fixtures	3 - 5 years
Office equipment	2 - 5 years
Computer equipment	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.5 Intangible assets

Development of Azeus Products

Costs directly attributable to the development of Azeus Products (“products”) are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the products and the development costs can be measured reliably. Such development costs include payroll related costs of employees directly involved in the project.

Direct expenditures including employee costs, which enhance or extend the performance of the products beyond its specifications and which can be reliably measured, are added to the original cost of the products.

Costs associated with maintaining the products are recognised as an expense when incurred.

2. Significant accounting policies (continued)

2.5 Intangible assets (continued)

Development of Azeus Products (continued)

The products are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.7 Impairment of non-financial assets

Property, plant and equipment
Investments in subsidiaries
Intangible assets

Property, plant and equipment, investments in subsidiaries and intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.8 Financial assets

(a) Classification

The Group classified its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at its initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12), "cash and cash equivalents" (Note 11), "refundable deposits" and "unbilled revenue on service contracts" (Note 14) on the balance sheet.

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.9 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

2.11 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.12 Operating lease payments

When the Group is the lessee

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.13 Inventories

Inventories comprise third party hardware and software products to be used in IT projects under the relevant contract terms and are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business.

2.14 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Significant accounting policies (continued)

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, if any. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.17 Deferred revenue and advances received from customers

Deferred revenue and advances received from customers 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 instalments. Deferred revenue and advances received from customers that will be recognised during the succeeding 12 months period is recorded as current liabilities while more than 12 months is recorded as non-current.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(b) Pension benefits

The Group operates both defined contribution retirement benefits and a non-contributory defined benefit plan.

Defined contribution retirement benefits

The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong. The scheme is funded through payments to trustee administered funds. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Significant accounting policies (continued)

2.18 Employee compensation (continued)

(b) Pension benefits (continued)

Defined contribution retirement benefits (continued)

The Group has a defined contribution scheme ("other scheme") in accordance with the local conditions and practices in the province of the People's Republic of China in which they operate. The defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The Group's contributions to the other scheme are expensed as incurred.

Non-contributory defined benefit plan

The Group has a non-contributory defined retirement benefits plan for the employees of its subsidiary in accordance with the local conditions and practices in the Philippines. The plan is generally funded through payments to trustee-administered funds governed by local regulations and practices and approved by the local management. A defined retirement benefits plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability recognised in the balance sheet in respect of a defined benefits pension plan is the present value of the defined benefits obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefits obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating to the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

(c) Share grant

A controlling shareholder has implemented a share grant incentive scheme for certain key employees. Under this incentive, the controlling shareholder will transfer ordinary shares from his personal shareholding to such employees from time to time. The number of shares to be transferred and the terms of such transfers will be in his absolute discretion, and entitled employees will be providing no, nominal or discounted consideration for such transfers.

The fair value of the employee services received in exchange for the grant of the shares from the controlling shareholder is recognised as an expense in profit or loss with a corresponding increase in the reserve on the date of grant. The fair value of the employee services received is determined from the quoted market value of the shares granted in consideration of the services performed at the date of the grant. The shares vest immediately upon being granted.

2. Significant accounting policies (continued)

2.18 Employee compensation (continued)

(d) Long service payments

The Group's employees have to complete a required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

(e) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(f) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of FRS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Hong Kong Dollar, which is the functional currency of the Company.

(b) Transactions and balances

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

All other foreign exchange gains and losses impacting profit or loss are presented in the statement of profit and loss and other comprehensive income within "other gains/(losses) - net".

2. Significant accounting policies (continued)

2.19 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

(i) assets and liabilities are translated at the closing exchange rates at reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

2.20 Segment reporting

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

2.21 Cash and cash equivalents

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

2.22 Share capital

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

2.23 Dividends to Company's shareholders

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

3. Critical accounting estimates, assumptions and judgements

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

(a) Revenue recognition

The Group recognises contract revenue for provision of IT services based on the proportionate method. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

3. Critical accounting estimates, assumptions and judgements (continued)

(a) Revenue recognition (continued)

Assumptions are used to estimate total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

If the estimated total costs for the contract increase/decrease by 5% from management's estimates, the Group's profit will decrease and increase by approximately HK$1.3 million and HK$1.4 million respectively.

(b) Defined retirement benefits

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

The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the actuaries in calculating such amounts. Those assumptions are described in Note 20, and include among others, discount rate and rate of compensation increase. In accordance with FRS, actual results that differ from the Group's assumptions are accumulated and amortised over future periods and therefore, generally affect the recognised expenses and recorded obligation in such future periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement benefit cost and obligation.

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

(c) Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of those intangible assets. The value in use calculation requires the Group to estimate the future cash flows expected from the cash-generating units ("CGUs") and an appropriate discount rate in order to calculate the present value of the future cash flows.

During the financial year, management carried out a review of the recoverable amounts of the intangible assets relating to Azeus products and recorded an impairment charge of HK$1.9 million. The carrying amounts of the intangible assets are disclosed in Note 18.

The recoverable amount of the software has been determined based on their value-in-use with the following key assumptions:

(i) A projected cash flow over three years is computed using average revenue growth rate of 69% per annum. Management is of the opinion that the projected cash flows projection period of three years is reasonable as there is no indication that the demand for the software will cease within three years.

(ii) A discount rate of 12% per annum is used.

If the average revenue growth rate had been lower than management's estimates by 20%, it would not result in the carrying amount exceeding the recoverable amount.

If the discount rate applied to the discounted cash flows for the software had been 8 basis points higher than management's estimates, it would not result in the carrying amount exceeding the recoverable amount.

4. Revenue

	Group 2018 HK$'000	Group 2017 HK$'000
Professional IT Services		
IT Services, including sales of project hardware and software	**31,933**	32,711
Maintenance and support services	**46,023**	53,325
	77,956	86,036
Azeus Products	**24,404**	11,857
	102,360	97,893

5. Expenses by nature

	Group 2018 HK$'000	Group 2017 HK$'000
Depreciation of property, plant and equipment (Note 17)	**470**	400
Amortisation of intangible assets (Note 18)	**8,104**	8,679
Employee compensation (Note 6)	**77,643**	76,687
Rental expense on operating leases	**6,350**	6,519
Legal and professional fees	**2,511**	1,541
Third party hardware and software support cost	**6,064**	9,108
Sub-contracting fee	**767**	3,101
Third party hardware and software (Note 15)	**279**	786
Other expenses	**9,647**	7,939
Total cost of sales, selling and marketing and administrative expenses	**111,835**	114,760

6. Employee compensation

	Group 2018 HK$'000	Group 2017 HK$'000
Wages and salaries	**71,987**	70,401
Employer's contribution to defined contribution plans	**5,000**	4,805
Defined retirement benefits expenses (Note 20)	**1,235**	1,481
Recovery of provision for long-service leave payment	**(616)**	–
Provision of unutilised leave	**37**	–
	77,643	76,687

7. Other income

	Group	
	2018	2017
	HK$'000	HK$'000
Maintenance fee compensation (Note)	**7,254**	–
Interest income from bank deposits	**14**	20
Sundry income	**490**	505
	7,758	525

Note:

The Group received a maintenance service fee compensation of HK$7.3 million in 2018 for a dispute with a customer.

8. Other gains/(losses) - net

	Group	
	2018	2017
	HK$'000	HK$'000
Currency exchange gains/(losses) - net	**4,546**	(4,943)

9. Income taxes

(a) Income tax expense

	Group	
	2018	2017
	HK$'000	HK$'000
Tax expense attributable to profit is made up of:		
- Current income tax	**714**	77
- Withholding tax	**234**	–
- Deferred income tax (Note 21)	**16**	(63)
	964	14
Under provision in prior financial years:		
- Current income tax	**–**	308
	964	322

9. Income taxes (continued)

(a) Income tax expense (continued)

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

	Group	
	2018	2017
	HK$'000	HK$'000
Profit/(loss) before tax	**2,829**	(21,285)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	**2,694**	(3,675)
Effects of		
- expenses not deductible for tax purposes	**–**	741
- income not subject to tax	**(741)**	(124)
- deferred tax assets not recognised	**569**	2,969
- temporary differences not recognised	**15**	103
- utilisation of previously unrecognised tax losses	**(1,807)**	–
- withholding tax	**234**	–
- under provision of tax	**–**	308
Tax charge	**964**	322

The weighted average applicable tax rate was 16.6% (2017: 16.2%).

(b) Movements in current income tax assets - net

	Group	
	2018	2017
	HK$'000	HK$'000
Beginning of financial year	**(1,500)**	(2,306)
Currency translation difference	**7**	3
Under provision in prior financial years	**–**	308
Income tax (paid)/recovered	**(66)**	418
Tax expense	**948**	77
End of financial year	**(611)**	(1,500)

10. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
Net profit/(loss) attributable to equity holders of the Company (HK$'000)	**1,865**	(21,607)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**30,000**	30,000
Basic earnings/(loss) per share (HK cents per share)	**6.22**	(72.02)
Diluted earnings/(loss) per share (HK cents per share)	**6.22**	(72.02)

Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares as at 31 March 2018 and 31 March 2017.

11. Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**58,619**	38,856	**3,054**	644
Pledged bank deposits (Note)	**1,504**	2,249	**–**	–
	60,123	41,105	**3,054**	644

Note:

As at 31 March 2018, included in the cash and cash equivalents were bank deposits amounting to HK$1,504,000 (2017: HK$2,249,000) which were not freely available for use by the Group as they have been pledged as securities for the performance bonds and the bank guarantees issued by the banks on behalf of the Group.

Short-term bank deposits at the balance sheet date had an average maturity of 60 days (2017: 84 days) from the end of the financial year with the following weighted average effective interest rates:

	Group	
	2018	2017
	%	%
Hong Kong Dollar	**0.20**	0.30

12. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
- Non-related parties	**11,689**	15,953	**–**	–
Amount due from subsidiaries - Non-trade (Note 13)	**–**	–	**46,208**	51,915
Prepayments	**3,633**	4,223	**385**	435
Other receivables and deposits	**6,285**	4,418	**–**	–
	21,607	24,594	**46,593**	52,350

13. Amounts due from/to subsidiaries

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

14. Unbilled revenue on service contracts

	Group	
	2018	2017
	HK$'000	HK$'000
Aggregate contract costs incurred and profits recognised (less losses recognised) to date	**111,560**	93,569
Currency translation difference	**(450)**	226
Less: Progress billings	**(98,197)**	(74,635)
	12,913	19,160
Less: Allowance for impairment of unbilled revenue on service contracts	**(144)**	(144)
	12,769	19,016

15. Inventories

	Group	
	2018	2017
	HK$'000	HK$'000
Project hardware and software	**5,285**	1,423

The cost of inventories used for IT services rendered during the year recognised as an expense and included in "cost of sales" amounts to HK$279,000 (2017: HK$786,000) (Note 5).

16. Investments in subsidiaries

	Company 2018 HK$'000	Company 2017 HK$'000
Equity investments at cost		
Beginning of financial year	**54,510**	54,509
Additions	**102**	1
	54,612	54,510
Allowance for impairment		
Beginning of financial year	**(4,124)**	(4,103)
Allowance made	**(21)**	(21)
	(4,145)	(4,124)
End of financial year	**50,467**	50,386

An allowance of impairment of HK$21,000 (2017: HK$21,000) was recognised for a dormant subsidiary based on its recoverable amounts, determined by reference to the net amount receivable from the realisation of the subsidiary's assets and the settlement of its liabilities at the end of the financial year.

The Group had the following subsidiaries as at 31 March 2018 and 31 March 2017:

Name of subsidiaries	Country of business/ incorporation	Principal activities	Equity holding 2018 %	Equity holding 2017 %
<u>Held by the Company</u>				
Azeus Systems Limited [(a)]	Hong Kong	Provision of IT service and sale of computer software	**100**	100
Azeus Systems Manila BVI Ltd. [(b)]	British Virgin Islands	Investment holding	**100**	100
Azeus UK Limited [(c)]	United Kingdom	Provision of IT service and sale of computer software	**100**	100
BIGontheNet Pte Ltd [(b)]	Singapore	Dormant	**100**	100
Azeus Pty Ltd [(d)]	Australia	Provision of IT service and sale of computer software	**100**	100
Azeus Convene Malaysia Sdn Bhd [(e)]	Malaysia	Provision of IT service and sale of computer software	**100**	100
Azeus Convene (BVI) Limited [(b)]	British Virgin Islands	Investment holding	**100**	100
Convene, Inc [(b)]	United States of America	Provision of IT service and sale of computer software	**100**	100

16. Investments in subsidiaries (continued)

Name of subsidiaries	Country of business/ incorporation	Principal activities	Equity holding 2018 %	Equity holding 2017 %
Held by the subsidiaries				
Azeus Systems Philippines, Inc. (b)	Philippines	Dormant	**100**	100
Azeus Systems Philippines Limited (f)	Philippines	Software development	**100**	100
Azeus Systems (Dalian) Co., Ltd (g)	People's Republic of China	Software development	**100**	100
Convene UK Limited (b)	United Kingdom	Investment holding	**100**	–
Convene Hong Kong Limited (b)	Hong Kong	Investment holding	**100**	–
Convene DWC LLC (b)	Dubai	Provision of IT service and sale of computer software	**100**	–

(a) Audited by PricewaterhouseCoopers, Hong Kong.

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

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

(d) Audited by Ty Sam & Associates Pty Ltd.

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

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

(g) Financial year ends on 31 December and audited by Dalian Mingyike Certified Public Accountants Co., Ltd, an audit firm in the People's Republic of China ("PRC"). There were no significant transactions or events occurring during the period 1 January 2018 to 31 March 2018.

17. Property, plant and equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Group					
2018					
Cost					
Beginning of financial year	969	1,458	603	3,720	6,750
Additions	63	8	1	371	443
Write off	–	(18)	–	(27)	(45)
Currency translation differences	(26)	(1)	(16)	57	14
End of financial year	1,006	1,447	588	4,121	7,162
Accumulated depreciation					
Beginning of financial year	786	1,431	324	3,226	5,767
Depreciation charge (Note 5)	74	10	100	286	470
Write off	–	(11)	–	(26)	(37)
Currency translation differences	(22)	(3)	(11)	46	10
End of financial year	838	1,427	413	3,532	6,210
Net book value					
End of financial year	**168**	**20**	**175**	**589**	**952**
2017					
Cost					
Beginning of financial year	999	1,485	588	3,434	6,506
Additions	49	16	63	324	452
Currency translation differences	(79)	(43)	(48)	(38)	(208)
End of financial year	969	1,458	603	3,720	6,750
Accumulated depreciation					
Beginning of financial year	763	1,461	284	3,018	5,526
Depreciation charge (Note 5)	86	11	66	237	400
Currency translation differences	(63)	(41)	(26)	(29)	(159)
End of financial year	786	1,431	324	3,226	5,767
Net book value					
End of financial year	**183**	**27**	**279**	**494**	**983**

18. Intangible assets

Azeus Products

	Group	
	2018	2017
	HK$'000	HK$'000
Cost		
Beginning of financial year	**29,303**	18,376
Additions	**7,416**	10,927
End of financial year	**36,719**	29,303
Accumulated amortisation		
Beginning of financial year	**13,812**	5,133
Amortisation charge	**8,104**	8,679
End of financial year	**21,916**	13,812
Net book value	**14,803**	15,491

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

	Group	
	2018	2017
	HK$'000	HK$'000
Cost of sales (Note 5)	**8,104**	8,679

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

At the beginning of the year, the Company revised its estimate for the residual value of intangible assets after conducting an operational review. As a result, there was a change in the expected useful lives of intangible assets from 3 to 5 years. The effect of this changes on amortisation charge in current and future periods on intangible assets is as follows:

	2018	2019	2020	2021	Later
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group					
(Decrease)/Increase in amortisation charged and (increase)/decrease in profit after tax	(3,639)	(2,045)	418	2,405	2,861

19. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Trade payables – non-related parties	**6,692**	1,358	**–**	–
Amount due to subsidiaries - non-trade (Note 13)	**–**	–	**104**	104
Other accruals for operating expenses	**3,596**	4,271	**1,353**	1,153
	10,288	5,629	**1,457**	1,257
Non-current				
Other payables	**92**	29	**–**	–

20. Provision for defined retirement benefits

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

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

	Group	
	2018	2017
	HK$'000	HK$'000
Present value of funded benefit obligations	**9,793**	17,610
Fair value of plan assets	**(7,694)**	(7,195)
Retirement benefit obligation	**2,099**	10,415

The movements in the retirement benefit obligation are as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Beginning of financial year	**10,415**	8,838
Currency translation differences	**(128)**	(808)
Charged to profit or loss (Note 6)	**1,235**	1,481
Remeasurements		
- Losses from return on plan assets	**385**	311
- Gains from change in demographic assumptions	**(618)**	(4,606)
- (Gains)/losses from change in financial assumptions	**(8,855)**	6,022
- Experience losses	**336**	204
(Credited)/debited to other comprehensive income	**(8,752)**	1,931
Contributions paid	**(671)**	(1,027)
End of financial year	**2,099**	10,415

20. Provision for defined retirement benefits (continued)

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

	Group	
	2018	2017
	HK$'000	HK$'000
Beginning of financial year	**17,610**	15,509
Currency translation differences	**(336)**	(1,394)
Interest cost	**985**	848
Current service cost	**671**	1,027
Actuarial (gains)/losses	**(9,137)**	1,620
End of financial year	**9,793**	17,610

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

	Group	
	2018	2017
	HK$'000	HK$'000
Beginning of financial year	**7,195**	6,671
Currency translation differences	**(208)**	(586)
Interest income	**421**	394
Contributions paid	**671**	1,027
Actuarial losses	**(385)**	(311)
End of financial year	**7,694**	7,195

The Group's retirement plan assets consist of:

	Group	
	2018	2017
Debt securities	**72%**	69%
Cash and cash equivalents	**28%**	30%
Others	*****	1%
	100%	100%

* less than 1%

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

20. Provision for defined retirement benefits (continued)

The amounts recognised in profit or loss are as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Current service cost	**671**	1,027
Interest cost	**985**	848
Interest income	**(421)**	(394)
Included in "Employee compensation" (Note 6)	**1,235**	1,481

The principal actuarial assumptions used were as follows:

	Group	
	2018	2017
Discount rate	**7%**	6%
Future salary increases	**5%**	7%
Average remaining working life in years	**27.9**	28.4
Average years of past service	**9.9**	9.5

The discount rate assumption is based on the spot yield curve calculated from the PDEx (PDSI/T-R2) market yields by stripping the coupons from government bonds to create virtual zero coupon bonds as of 9 March 2018 and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

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

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	2%	Decrease by 16%	Increase by 20%
Salary growth rate	2%	Increase by 19%	Decrease by 16%

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

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

21. Deferred income taxes

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

	Group	
	2018	2017
	HK$'000	HK$'000
Deferred income tax assets:		
- to be recovered within one year	**(1)**	(92)
- to be recovered after one year	**(218)**	(1,032)
	(219)	(1,124)

Movement in deferred income tax account is as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Beginning of financial year	**(1,124)**	(952)
Actuarial gains/(losses) on defined retirement benefits	**875**	(193)
Currency translation differences	**14**	84
Tax charged/(credited) to profit or loss (Note 9)	**16**	(63)
End of financial year	**(219)**	(1,124)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of HK$37,956,000 (2017: HK$45,255,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

The movement in deferred income tax assets is as follows:

<u>Group</u>

Deferred income tax assets

	Retirement benefits	Other	Total
	HK$'000	HK$'000	HK$'000
2018			
Beginning of financial year	(1,010)	(114)	(1,124)
Actuarial gains on defined retirement benefits	875	–	875
Currency translation differences	(91)	105	14
Charged to profit or loss	16	–	16
End of financial year	**(210)**	**(9)**	**(219)**

21. Deferred income taxes (continued)

Deferred income tax assets (continued)

	Retirement benefits HK$'000	Other HK$'000	Total HK$'000
2017			
Beginning of financial year	(850)	(102)	(952)
Actuarial losses on defined retirement benefits	(193)	–	(193)
Currency translation differences	96	(12)	84
Credited to profit or loss	(63)	–	(63)
End of financial year	**(1,010)**	**(114)**	**(1,124)**

22. Share capital

	No. of ordinary shares		Amount	
	Issued share capital	Issued share capital	**Share capital**	Share capital
	2018	2017	**2018**	2017
	'000	'000	**HK$'000**	HK$'000
Group and Company				
Beginning and end of financial year	**30,000**	30,000	**46,800**	46,800

All issued ordinary shares are fully paid. The par value is US$0.20 (FY2017: US$0.20) per share.

23. Share premium and other reserves

	Group		Company	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share premium	**56,489**	56,489	**56,726**	56,726
Other reserves				
Employee share-based payment reserve	**1,328**	1,328	**–**	–
Statutory reserve	**22**	2	**–**	–
	1,350	1,330	**–**	–

Share premium pertains to the premium paid by shareholders which is above the par value. Lower share premium at the Group level due to the adjustments arising from the restructuring exercise during FY2005 represents the excess of the nominal value of the shares issued by the Company over the nominal value of the shares acquired in exchange for those shares, accounted for using the pooling-of-interest method.

Employee share-based payment reserve relates to the Azeus Employee Share Option Scheme (the "Scheme"), which was approved by the shareholders of the Company. Further details can be found on page 25.

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

24. Accumulated losses

Movement in accumulated losses for the Company is as follows:

	Company	
	2018	2017
	HK$'000	HK$'000
Beginning of financial year	**(1,403)**	3,429
Net loss	**(3,466)**	(3,491)
Dividends paid (Note 25)	**–**	(1,341)
End of financial year	**(4,869)**	(1,403)

25. Dividends

	Group and Company	
	2018	2017
	HK$'000	HK$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of HK nil cents (2017: HK4.47 cents) per share (Note 24)	**–**	1,341

At the Annual General Meeting on 13 July 2018, a final dividend of HK 6.2 cents per share amounting to a total of HK$1,860,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2019.

26. Contingent liabilities

At 31 March 2018, there were contingent liabilities in respect of performance bonds amounting to HK$1,366,000 (2017: HK$2,197,000) issued by the banks on behalf of the Group.

27. Commitments

Operating lease commitments

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

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Not later than one year	**5,557**	4,472
Between one and five years	**8,594**	5,674
	14,151	10,146

28. Financial risk management

Financial risk factors

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

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

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

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

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

(a) Market risk

(i) Currency risk

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

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

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

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	HKD HK$'000	USD HK$'000	SGD HK$'000	GBP HK$'000	Others HK$'000
2018					
Financial assets					
Cash and cash equivalents and pledged bank deposits	36,432	6,152	2,838	4,207	10,494
Unbilled revenue on service contracts	12,289	–	–	480	–
Trade and other receivables	10,300	1,134	–	3,892	2,648
Refundable deposits	980	–	–	–	402
Receivables from subsidiaries	58,766	1,100	–	32,782	2,013
	118,767	8,386	2,838	41,361	15,557
Financial liabilities					
Other financial liabilities	(5,107)	(1,228)	(1,237)	(1,302)	(1,506)
Payables to subsidiaries	(58,766)	(1,100)	–	(32,782)	(2,013)
	(63,873)	(2,328)	(1,237)	(34,084)	(3,519)
Net financial assets	54,894	6,058	1,601	7,277	12,038
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(54,900)	(2,503)	–	26,801	(9,123)
Currency exposure on financial (liabilities)/ assets denominated in the respective entities' functional currencies	**(6)**	**3,555**	**1,601**	**(19,524)**	**2,915**

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	HKD HK$'000	USD HK$'000	SGD HK$'000	GBP HK$'000	Others HK$'000
2017					
Financial assets					
Cash and cash equivalents and pledged bank deposits	23,134	3,025	443	9,423	5,080
Unbilled revenue on service contracts	18,000	222	–	794	–
Trade and other receivables	12,176	873	–	4,771	2,551
Refundable deposits	979	–	–	–	419
Receivables from subsidiaries	53,633	661	–	36,795	214
	107,922	4,781	443	51,783	8,264
Financial liabilities					
Other financial liabilities	(1,985)	(688)	(1,037)	(911)	(1,037)
Payables to subsidiaries	(53,633)	(661)	–	(36,795)	(214)
	(55,618)	(1,349)	(1,037)	(37,706)	(1,251)
Net financial assets/ (liabilities)	52,304	3,432	(594)	14,077	7,013
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(52,291)	181	–	23,182	(5,934)
Currency exposure on financial assets/ (liabilities) denominated in the respective entities' functional currencies	**13**	**3,251**	**(594)**	**(9,105)**	**1,079**

As at 31 March 2018 and 2017, the net financial assets/(liabilities) denominated in a currency other than the respective functional currencies of the Group entities are mainly in USD, SGD and GBP. Since HKD is pegged to USD, no significant change in the net financial assets/ (liabilities) position is expected from any changes on the exchange rate between the HKD and USD at the Group and Company level.

At 31 March 2018, if the GBP had strengthened/weakened by 4% (2017: 5%) against the HKD with all other variables including tax rate being held constant, the profit after tax of the Group would have been lower/higher by HK$0.7 million (2017: HK$0.4 million) as a result of currency translation losses/gains on the remaining GBP-denominated financial instruments.

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	HKD HK$'000	USD HK$'000	SGD HK$'000	GBP HK$'000	Others HK$'000
2018					
Financial assets					
Cash and cash equivalents	16	59	2,720	185	74
Trade and other receivables	46,208	–	–	–	–
	46,224	59	2,720	185	74
Financial liabilities					
Other financial liabilities	(219)	–	(1,238)	–	–
	(219)	–	(1,238)	–	–
Net financial assets	46,005	59	1,482	185	74
Less: Net financial assets denominated in the Company's functional currency	(46,005)	–	–	–	–
Currency exposure on financial assets net of those denominated in the Company's functional currency	**–**	**59**	**1,482**	**185**	**74**
2017					
Financial assets					
Cash and cash equivalents	19	58	331	163	73
Trade and other receivables	51,915	–	–	–	–
	51,934	58	331	163	73
Financial liabilities					
Other financial liabilities	(219)	–	(1,038)	–	–
	(219)	–	(1,038)	–	–
Net financial assets/(liabilities)	51,715	58	(707)	163	73
Less: Net financial assets denominated in the Company's functional currency	(51,715)	–	–	–	–
Currency exposure on financial assets/(liabilities) net of those denominated in the Company's functional currency	**–**	**58**	**(707)**	**163**	**73**

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

28. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risks

As at 31 March 2018 and 2017, the Group and Company have insignificant financial assets or liabilities that are exposed to interest rate risks.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of only dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Group obtains collateral from its customers. Cash terms, advance payments and letter of credits are required for customers of lower credit standing. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group's trade receivables comprise 9 debtors (2017: 8 debtors) with both United Kingdom's and Hong Kong's government sector collectively represented 72% (2017: 78%) of trade receivables.

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

There is no credit risk exposure at the Company level.

The credit risk for trade receivables at the Group, based on the information provided to key management is as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
By geographical areas		
Hong Kong	**6,168**	10,284
United Kingdom	**3,222**	4,611
Other countries	**2,299**	1,058
	11,689	15,953
By types of customers		
Non-related parties		
- Public sector	**9,445**	12,798
- Other companies	**2,244**	3,155
	11,689	15,953

28. Financial risk management (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

The Group's trade receivables not past due does not include receivables that would have been past due or impaired if the terms were not re-negotiated during the financial year. Other financial assets that are neither past due nor impaired consist primarily of advances to employees that are collected through salary deductions and other receivable in which the Group has the right to collect in the next twelve months.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Past due < 3 months	**490**	1,331
Past due over 3 months	**464**	820
	954	2,151

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Past due over 3 months	**396**	3,323
Less: Allowance for impairment	**(396)**	(3,323)
	–	–
Beginning of financial year	**(3,323)**	(3,323)
Allowance made	**(303)**	–
Allowance utilised	**3,230**	–
End of financial year	**(396)**	(3,323)

28. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of fund. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group relies on its internal working capital to fund most of its operating and investing activities. The liquidity risk of the Group is minimal as it maintains sufficient liquid funds to meet their normal operating activities without using bank or other borrowings.

As at 31 March 2018 and 2017, all financial liabilities of the Group and Company have a maturity date of less than one year.

(d) Capital risk

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

The Group employs shareholders' equity only and does not have any borrowings.

(e) Financial instruments by category

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

	Group		Company	
	2018	2017	**2018**	2017
	HK'000	HK'000	**HK$'000**	HK$'000
Loans and receivables	**92,248**	81,890	**49,262**	52,559
Financial liabilities at amortised cost	**10,380**	5,658	**1,457**	1,257

29. Immediate and ultimate holding corporation

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

30. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	Group	
	2018	2017
	HK$'000	HK$'000
Professional fees paid to director of a subsidiary	**346**	230

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**4,495**	4,505
Employer's contribution to:		
- defined contribution plans	**54**	54
- defined retirement benefits	**301**	265
	4,850	4,824

Included in the above is total compensation to directors of the Company amounting to HK$1,277,000 (2017: HK$1,263,000).

31. Segmental information

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

Because of the significant increase in Azeus Products revenue and its selling and marketing expenses and assets, the Exco 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 2 major revenue streams under Professional IT Services: "IT Services, including sales of project hardware and software" and "Maintenance and Support Services" as the services are similar in nature.

31. Segmental information (continued)

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

	Professional IT Services		Azeus Products		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**77,956**	86,036	**24,404**	11,857	**102,360**	97,893
Segment results	**28,118**	30,975	**(10,509)**	(21,719)	**17,609**	9,256
Maintenance service fee compensation	**7,254**	–	**–**	–	**7,254**	–
Unallocated income/(expenses)						
Other income	**–**	–	**–**	–	**504**	525
Other (gains)/losses - net	**–**	–	**–**	–	**4,546**	(4,943)
Depreciation of property, plant and equipment	**–**	–	**–**	–	**(470)**	(400)
Legal and professional fee	**–**	–	**–**	–	**(2,511)**	(1,541)
Rental expense on operating lease	**–**	–	**–**	–	**(6,350)**	(6,519)
Defined retirement benefit expense	**–**	–	**–**	–	**(1,235)**	(1,481)
Fees on audit services	**–**	–	**–**	–	**(1,383)**	(1,427)
Administrative salaries	**–**	–	**–**	–	**(5,833)**	(5,832)
Insurance	**–**	–	**–**	–	**(1,587)**	(1,387)
Directors' compensation	**–**	–	**–**	–	**(1,277)**	(1,263)
Other expenses	**–**	–	**–**	–	**(6,438)**	(6,273)
Profit/(loss) before tax	**–**	–	**–**	–	**2,829**	(21,285)
Income tax expense	**–**	–	**–**	–	**(964)**	(322)
Profit/(loss) attributable to equity holders of the Company	**–**	–	**–**	–	**1,865**	(21,607)
Assets and liabilities						
Segment assets	**27,645**	33,692	**20,112**	21,526	**47,757**	55,218
Unallocated assets	**–**	–	**–**	–	**70,949**	51,496
Total assets	**–**	–	**–**	–	**118,706**	106,714
Segment liabilities	**3,002**	3,164	**15,845**	6,551	**18,847**	9,715
Unallocated liabilities	**–**	–	**–**	–	**11,766**	15,201
Total liabilities	**–**	–	**–**	–	**30,613**	24,916

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

31. Segmental information (continued)

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

(a) Revenue from major products and services

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

	Group	
	2018	2017
	HK$'000	HK$'000
Professional IT Services	**77,956**	86,036
Azeus Products	**24,404**	11,857
Total	**102,360**	97,893

(b) Geographical information

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

	Sales for continuing operations	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**78,860**	80,497
United Kingdom	**9,637**	11,887
Australia	**4,242**	1,668
North America	**4,585**	1,011
Others	**5,036**	2,830
Total	**102,360**	97,893

	Non-current assets	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**1,539**	1,430
United Kingdom	**33**	65
Philippines	**975**	2,010
Bermuda and British Virgin Islands	**14,803**	15,491
Australia	**6**	–
Total	**17,356**	18,996

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.

32. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2018 and which the Group has not early adopted:

(a) FRS 109 Financial Instruments (effective for annual periods beginning on or after 1 April 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 April 2018 (Note 33). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 33.

(b) FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 April 2018)

FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

32. New or revised accounting standards and interpretations (continued)

(b) FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 April 2018) (continued)

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 April 2018 (Note 33). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 33.

(c) INT FRS 122 Foreign Currency Transactions and Advance Considerations (effective for annual periods beginning on or after 1 April 2018)

INT FRS 122 *Foreign Currency Transactions and Advance Considerations* considers how to determine the date of the transactions when applying the standard on foreign currency transactions, FRS 21 *The Effect of Changes in Foreign Exchange Rate*. The Interpretation applies where the Group either pays or receives consideration in advance for foreign currency-denominated contracts.

For single upfront payment/receipt, the Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The Interpretation is effective for accounting periods beginning on or after 1 April 2018. Early adoption is permitted. The Group does not expect a material impact on the financial statement upon adoption of the Interpretation.

(d) FRS 116 Leases (effective for annual periods beginning on or after 1 April 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 April 2018 (Note 33). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

33. Adoption of SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

33. Adoption of SFRS(I) (continued)

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 April 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the half year ended 30 September 2018 in November 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 March 2019), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect relevant optional exemptions. The impact arising from the adoption of SFRS(I) has been assessed to be immaterial.

(b) Adoption of SFRS(I) 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) 9 on 1 April 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 March 2018.

Impairment of financial assets

The Company and the Group's trade and other receivables will be subject to the expected credit loss model under SFRS(I) 9:

The impact arising from the adoption of SFRS(I) 9 hass been assessed to be immaterial.

(c) Adoption of SFRS(I) 15

In accordance with the requirements of IFRS 1, the Group will adopt the SFRS(I) 15 retrospectively.

The Group is expected to change the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS(I) 15:

- Amounts due from customers arising from Professional IT Services contracts and unbilled revenue on service contracts under SFRS will be reclassified to be presented as part of contract assets.
- The expected volume discounts and refunds to customers which have been presented as current provisions under SFRS, will be classified as contract liabilities.
- Advances received from customers arising from Professional IT Services contracts and amounts due to customers arising from Professional IT Services contracts under SFRS will be reclassified to be presented as part of contract liabilities.

Other than the change in the presentation of certain amounts in the balance sheet and expanded disclosure requirements, the impact arising from the adoption of SFRS(I) 15 has been assessed to be immaterial.

34. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Azeus Systems Holdings Ltd. on 14 June 2018.

STATISTICS OF **SHAREHOLDINGS**

As at 30 May 2018

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.42	100	0.00
100 - 1,000	250	52.08	125,290	0.42
1,001 - 10,000	162	33.75	695,927	2.32
10,001 - 1,000,000	63	13.13	4,446,544	14.82
1,000,001 AND ABOVE	3	0.62	24,732,132	82.44
TOTAL	**480**	**100.00**	**29,999,993**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MU XIA LTD	15,300,000	51.00
2	LEE WAN LIK	8,032,132	26.77
3	LAM PUI WAN	1,400,000	4.67
4	KHOO TEIK LIANG	559,000	1.86
5	UOB KAY HIAN PRIVATE LIMITED	386,530	1.29
6	EST OF ONG KIM KIAT, DEC'D	319,000	1.06
7	EST OF LIM CHEE NEO LUCY @CAROL LIM, DEC'D	300,000	1.00
8	LIEW KUO HUEI	242,620	0.81
9	LIM & TAN SECURITIES PTE LTD	160,500	0.54
10	TAN JUI YAK	153,200	0.51
11	CHOOI SIEW THIM	125,100	0.42
12	NOMURA SINGAPORE LIMITED	124,500	0.42
13	LIM GUAN TECK	110,000	0.37
14	THAM WAI FONG	103,700	0.35
15	LAI WENG KAY	100,000	0.33
16	GUOK SING ONG JAMES	92,000	0.31
17	LIM GUAN CHIANG	85,000	0.28
18	TAO WING HONG	78,975	0.26
19	LEONG CHEE KENG	72,890	0.24
20	SUE YAP SOH MOOI	71,400	0.24
	TOTAL	**27,816,547**	**92.73**

SUSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders)

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

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

PUBLIC FLOAT

Based on the information available to the Company as at 30 May 2018, approximately 17.56% of the issued ordinary shares of the Company is held by the public The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Azeus Systems Holdings Ltd. (the "Company") will be held at EDB Room, Lower Lobby, The Fullerton Hotel Singapore, 1 Fullerton Square, Singapore 049178 on Friday, 13 July 2018 at 10 a.m., to transact the following business:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 March 2018, together with the Directors' Statement and the Auditor's Report thereon. **[Resolution 1]**

2. To declare a first and final dividend of 6.20 HK cents per share for the financial year ended 31 March 2018. **[Resolution 2]**

3. To approve the payment of Directors' Fees of S$78,000 for the financial year ended 31 March 2018. [2017: S$78,000] **[Resolution 3]**

4. To re-elect Mr Koji Miura, a Director who retires pursuant to Bye-Law 104 of the Company's Bye-Laws. **[See Explanatory Note (i)]** **[Resolution 4]**

5. To re-elect Ms Lam Pui Wan, a Director who retires pursuant to Bye-Law 104 of the Company's Bye-Laws. **[Resolution 5]**

6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorize the Directors to fix their remuneration. **[Resolution 6]**

As Special Business

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

7. **Authority to allot and issue shares**

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

   PROVIDED THAT:-

   (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the total number of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of the issued shares (excluding treasury shares and subsidiary holdings) of the Company;

   (ii) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of this Resolution, the percentage of the issued share capital shall be based on the Company's total number of the issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, after adjusting for:

      (a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws for the time being of the Company; and

(iv) (Unless revoked or varied by the Company in a general meeting) such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (ii)] **[Resolution 7]**

8. **Authority to allot and issue shares under the AZEUS EMPLOYEE SHARE Option Scheme**

THAT the Directors of the Company be and are hereby authorized to offer and grant options in accordance with the provisions of the Azeus Employee Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of the issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.
[See Explanatory Note (iii)] **[Resolution 8]**

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

By Order of the Board

Yap Wai Ming
Company Secretary
Singapore, 25 June 2018

Explanatory Notes

(i) **Resolution 4**, Mr Koji Miura, if re-elected, will remain as Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Koji Muira has no relationship (including immediate family relationships) with the rest of the Directors, the Company, its related corporation, its 10% shareholders or its officers. The Board considers Mr Koji Miura to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) **Resolution 7**, if passed, will authorize the Directors of the Company to allot and issue shares and convertible securities in the capital of the Company up to an amount not exceeding 50% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), of which up to 20% may be issued other than on a pro-rata basis to the shareholders of the Company. The Company cannot rely on the authority given under Resolution 7 for an issue of convertible securities if the maximum number of shares to be issued upon conversion cannot be determined at the time of issue of the convertible securities.

(iii) **Resolution 8**, if passed, will authorize the Directors to offer and grant options in accordance with the provisions of the Azeus Employee Share Option Scheme (the "Scheme") and to allot and issue shares under the Scheme up to an amount not exceeding 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Member Proxy Form. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the holding of the Annual General Meeting.

2. If a Shareholder being a Depositor whose name appears in the Depository Register wishes to attend and vote at the Annual General Meeting then he/she/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not later than 48 hours before the time set for the holding of the Annual General Meeting.

PERSONAL DATA PRIVACY

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

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Incorporated in Bermuda on 10 May 2004
Registration Number: 35312