

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD SIX MONTHS ENDED 30 SEPTEMBER 2021**

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AZEUS SYSTEMS HOLDINGS LTD.
(incorporated in Bermuda on 10 May 2004)
(Registration Number: 35312)

**A. Condensed Interim Consolidated Income Statement for the six months ended
30 September 2021
(Expressed in Hong Kong Dollars)**

		<u>Group</u>		
		Unaudited 1H FY2022 (Apr - Sep 21) HK\$'000	Unaudited 1H FY2021 (Apr - Sep 20) HK\$'000	+ / (-) %
	Note			
Revenue	4	95,435	79,437	20
Cost of revenue	5(a)	(31,213)	(27,975)	12
Gross profit		64,222	51,462	25
Other income	6	132	739	(82)
Other (losses)/gains – net	6	(903)	2,170	(142)
Impairment losses of financial assets		(472)	(532)	(11)
Expenses				
- Research and development expenses	5(a)	(13,802)	(14,255)	(3)
- Selling and marketing expenses	5(a)	(17,860)	(13,609)	31
- Administrative expenses	5(a)	(13,328)	(14,245)	(6)
- Finance cost – lease interest	10(d)	(228)	(376)	(39)
Profit before income tax		17,761	11,354	56
Income tax expense	5(b)	(266)	(404)	(34)
Profit attributable to equity holders of the Company		17,495	10,950	60

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B. Condensed Interim Consolidated Statement of Comprehensive Income for the six months ended 30 September 2021
(Expressed in Hong Kong Dollars)

	<u>Group</u>		
	Unaudited 1H FY2022 (Apr – Sep 21) HK\$'000	Unaudited 1H FY2021 (Apr – Sep 20) HK\$'000	+ / (-) %
Profit for the period	17,495	10,950	60
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Currency translation (losses)/gains arising from consolidation	(1,867)	1,343	(239)
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Actuarial gains on defined retirement benefits – net of tax	260	-	n/m
Other comprehensive (losses)/income, net of tax	(1,607)	1,343	(219)
Total comprehensive income attributable to equity holders of the Company	15,888	12,293	29

Note: n/m = not meaningful

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**C. Condensed Interim Consolidated Statements of Financial Position as at 30
September 2021
(Expressed in Hong Kong Dollars)**

	Note	<u>Group</u>		<u>Company</u>	
		Unaudited 30 Sep 2021 HK\$'000	Audited 31 Mar 2021 HK\$'000	Unaudited 30 Sep 2021 HK\$'000	Audited 31 Mar 2021 HK\$'000
Current assets					
Cash and bank deposits		170,007	158,284	482	722
Trade and other receivables		46,100	40,740	61,578	63,559
Contract assets		7,733	6,766	-	-
Current income tax assets		1,045	978	-	-
		224,885	206,768	62,060	64,281
Non-current assets					
Investment in subsidiaries		-	-	52,991	52,991
Property, plant and equipment	9	1,053	1,126	-	-
Right-of-use assets	10(a)	6,002	8,602	-	-
Intangible assets	11	1,562	2,861	-	-
Deferred income tax assets	12	1,060	1,113	-	-
Refundable deposit		616	1,601	-	-
		10,293	15,303	52,991	52,991
Total assets		235,178	222,071	115,051	117,272

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**C. Condensed Interim Consolidated Statements of Financial Position as at 30
September 2021 (Continued)
(Expressed in Hong Kong Dollars)**

	Note	<u>Group</u>		<u>Company</u>	
		Unaudited 30 Sep 2021 HK\$'000	Audited 31 Mar 2021 HK\$'000	Unaudited 30 Sep 2021 HK\$'000	Audited 31 Mar 2021 HK\$'000
Current liabilities					
Trade and other payables		18,677	18,085	604	1,316
Contract liabilities		62,502	62,589	-	-
Lease liabilities	10(c)	4,785	5,710	-	-
Current income tax liabilities		323	626	-	-
		86,287	87,010	604	1,316
Non-current liabilities					
Contract liabilities		1,913	1,914	-	-
Lease liabilities	10(c)	1,850	3,514	-	-
Provision for defined retirement benefit		10,176	10,569	-	-
		13,939	15,997	-	-
Total liabilities		100,226	103,007	604	1,316
Net assets		134,952	119,064	114,447	115,956
Equity					
Share capital	13	46,800	46,800	46,800	46,800
Share premium		56,489	56,489	56,726	56,726
Foreign currency translation reserve		2,408	4,289	-	-
Other reserves		1,603	1,589	-	-
Defined retirement benefits		(5,947)	(6,207)	-	-
Retained profits		33,599	16,104	10,921	12,430
Total Equity		134,952	119,064	114,447	115,956

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D. Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Hong Kong Dollars)

<u>Group</u>	Share Capital HK\$'000	Share Premium HK\$'000	Foreign Currency Translation Reserve HK\$'000	Other Reserves HK\$'000	Defined Retirement Benefits HK\$'000	Retained Profits / (Accumulated Losses) HK\$'000	Total Equity HK\$'000
Balance as at 1 April 2021	46,800	56,489	4,289	1,589	(6,207)	16,104	119,064
Profit for the period	-	-	-	-	-	17,495	17,495
Other comprehensive (loss) / income	-	-	(1,881)	14	260	-	(1,607)
Total comprehensive (loss) / income	-	-	(1,881)	14	260	17,495	15,888
Balance as at 30 September 2021	46,800	56,489	2,408	1,603	(5,947)	33,599	134,952
Balance as at 1 April 2020	46,800	56,489	3,987	1,383	(6,715)	(1,049)	100,895
Profit for the period	-	-	-	-	-	10,950	10,950
Other comprehensive income / (loss)	-	-	1,344	(1)	-	-	1,343
Total comprehensive income / (loss)	-	-	1,344	(1)	-	10,950	12,293
Balance as at 30 September 2020	46,800	56,489	5,331	1,382	(6,715)	9,901	113,188

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D. Condensed Interim Consolidated Statement of Changes in Equity (Continued)
(Expressed in Hong Kong Dollars)

<u>Company</u>	Share Capital HK\$'000	Share Premium HK\$'000	Retained Profits HK\$'000	Total Equity HK\$'000
Balance as at 1 April 2021	46,800	56,726	12,430	115,956
Total comprehensive income for the year	-	-	(1,509)	(1,509)
Balance as at 30 September 2021	<u>46,800</u>	<u>56,726</u>	<u>10,921</u>	<u>114,447</u>
Balance as at 1 April 2020	46,800	56,726	8,396	111,922
Total comprehensive income for the year	-	-	(1,808)	(1,808)
Balance as at 30 September 2020	<u>46,800</u>	<u>56,726</u>	<u>6,588</u>	<u>110,114</u>

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**E. Condensed Interim Consolidated Statement of Cash Flow for the six months
ended 30 September 2021
(Expressed in Hong Kong Dollars)**

	Note	<u>Group</u>	
		Unaudited 1H FY2022 (Apr – Sep 21) HK\$'000	Unaudited 1H FY2021 (Apr – Sep 20) HK\$'000
Cash flows from operating activities			
Profit after tax		17,495	10,950
Adjustments for:			
Income tax expense	5(b)	266	404
Depreciation of property, plant and equipment	9	456	253
Depreciation of right-of-use assets	10(b)	2,468	2,538
Amortisation of intangible assets	11	1,299	2,128
Interest income		(5)	(9)
Interest expense on lease liabilities	10(d)	228	376
Operating cash flows before changes in working capital		22,207	16,640
Changes in working capital			
Trade and other receivables		(2,695)	14,286
Contract assets		(1,448)	(1,679)
Refundable deposits		495	(116)
Inventories		-	(19)
Trade and other payables		433	2,034
Contract liabilities		(88)	2,112
Cash generated from operations		18,904	33,258
Income tax paid		(870)	(1,343)
Net cash provided by operating activities		18,034	31,915

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E. Condensed Interim Consolidated Statement of Cash Flow for the six months ended 30 September 2021 (Continued)
(Expressed in Hong Kong Dollars)

	Note	Group	
		Unaudited 1H FY2022 (Apr – Sep 21) HK\$'000	Unaudited 1H FY2021 (Apr – Sep 20) HK\$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(419)	(332)
Interest received	6	5	9
Net cash used in investing activities		(414)	(323)
Cash flows from financing activities			
Increase in restricted cash		(82)	(3)
Principal payment of lease liabilities		(2,457)	(2,321)
Payment of interest on lease liabilities	10(d)	(228)	(376)
Net cash used in financing activities		(2,767)	(2,700)
Net increase in cash and cash equivalents		14,853	28,892
Cash and cash equivalents, statement of cash flows, beginning balance		156,266	100,019
Effects of currency translation on cash and cash equivalents		(3,210)	(4,541)
Cash and cash equivalents, Statement of Cash flows ending balance (Note A)		167,909	124,370
Note A:			
Cash and bank deposits		170,007	126,386
Less: Restricted cash		(2,098)	(2,016)
Cash and cash equivalents as disclosed in consolidated statement of cash flows		167,909	124,370

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F. Notes to the Condensed Interim Consolidated Financial Statements

1. Corporate Information

Azeus Systems Holdings Ltd. (the “Company”) is incorporated as an exempt company with limited liability under the Companies Act 1981 of Bermuda and is listed on the mainboard of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 22 October 2004. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM1, Bermuda.

These condensed interim consolidated financial statements as at and for the six months ended 30 September 2021 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activity of the Company is that of an investment holding company. The principal activities of the Group are the provision of IT services and cloud-based subscription services of its software products.

2. Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 September 2021 have been prepared in accordance with Singapore Financial Reporting Standard (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore.

The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 March 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1 below.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

The condensed interim consolidated financial statements are presented in Hong Kong dollar which is the Company's functional currency.

The financial information contained in this announcement has neither been audited nor reviewed by the Company's auditors.

The latest audited annual financial statements of the Group are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

Accounting convention

The condensed interim consolidated financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

2.1 New and amended standards adopted by the Group

Other than the adoption of the new and amended standards from prior reporting year, there were no changes in accounting policies and methods of computation adopted in the condensed interim consolidated financial statements as compared to the most recently audited annual consolidated financial statements for the year ended 31 March 2021, which were in accordance with SFRS(I)s.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

2.1 New and amended standards adopted by the Group (Continued)

There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2021 and entities will need to consider whether any of these amendments could affect their existing accounting policies for their 2021 interim reports:

- (a) *Covid-19-related Rent Concessions – Amendments to IFRS 16*
- (b) *Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.*

These applicable new and amended standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

2.2 Critical judgements, assumptions and estimation uncertainties

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Estimates and underlying assumptions are reviewed on an ongoing basis. However, actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The nature and the carrying amount of such significant assets and liabilities are disclosed with further details in the relevant Notes to these condensed interim consolidated financial statements.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual consolidated financial statements as at and for the year ended 31 March 2021.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group has 2 operating segments which are the provision of professional IT Services ("IT Services") and the sale and licensing of its proprietary products ("Azeus Products"). There are 3 major revenue streams under IT Services: Systems implementation and enhancement, sales of hardware and software and maintenance and support services".

The segment information of the reportable segments are as follows:

	Unaudited IT Services		Unaudited Azeus Products		Unaudited Total	
	1H FY2022	1H FY2021	1H FY2022	1H FY2021	1H FY2022	1H FY2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
6 months ended 30 September						
Segment revenue	29,683	27,609	65,752	51,828	95,435	79,437
Segment results	10,923	8,403	23,728	18,045	34,651	26,448
Amortisation of Intangible assets	-	-	(1,299)	(2,128)	(1,299)	(2,218)
Unallocated income/(expenses)						
Administrative salaries					(4,520)	(4,984)
Technical services and supplies					(792)	(722)
Other income					132	739
Other (losses)/gains - net					(903)	2,170
Depreciation of property, plant and equipment					(456)	(253)
Depreciation of right-of-use asset					(2,468)	(2,538)
Directors' compensation					(1,384)	(1,438)
Rental expense on operating lease					(1,078)	(943)
Legal and professional fees					(1,032)	(1,364)
Insurance					(762)	(522)
Other expenses					(2,328)	(3,021)
Profit before tax					17,761	11,354
Income tax expense					(266)	(404)
Profit for the period					17,495	10,950

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

	<u>IT Services</u>		<u>Azeus Products</u>		<u>Total</u>	
	Sep 2021 HK\$'000	Mar 2021 HK\$'000	Sep 2021 HK\$'000	Mar 2021 HK\$'000	Sep 2021 HK\$'000	Mar 2021 HK\$'000
Assets and liabilities						
Segment assets	12,072	8,711	34,591	34,183	44,663	42,894
Unallocated assets:						
Refundable deposits					616	1,601
Property, plant and equipment					1,053	1,126
Right-of-use assets					6,002	8,602
Deferred income tax assets					1,060	1,113
Cash and cash equivalents					170,007	158,284
Other receivables and deposits					8,344	7,856
Prepayments					388	595
Current income tax assets					1,045	-
					188,515	179,177
Total assets					235,178	222,071
Segment liabilities	1,824	4,526	69,014	66,787	70,838	71,313
Unallocated liabilities:						
Trade and other payables					12,254	11,275
Lease liabilities					6,635	9,224
Current income tax liabilities					323	626
Provision for defined retirement benefits					10,176	10,569
					29,388	31,694
Total liabilities					100,226	103,007

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

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

The management assesses the performance of the operating segments based on a measure of gross profits 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, contract assets, intangible assets and contract liabilities, as they cannot be directly attributable to individual segments, and it is impractical to arbitrarily allocate them to the segments.

(a) Revenue from major products and services

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

	Group	
	1H FY2022	1H FY2021
	HK\$'000	HK\$'000
IT Services	29,683	27,609
Azeus Products	65,752	51,828
Total	95,435	79,437

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

(b) Timing of revenue recognition

	At a point in time HK\$'000	Over time HK\$'000	Total HK\$'000
1H FY2022			
IT Services			
Systems implementation and enhancement	-	6,356	6,356
Sales of hardware and software	63	-	63
Maintenance and support services	-	23,264	23,264
	63	29,620	29,683
Azeus Products			
Product licensing revenue	-	53,244	53,244
Product service revenue	9,643	-	9,643
Systems implementation and enhancement	-	2,181	2,181
Maintenance and support services	-	684	684
	9,643	56,109	65,752
	9,706	85,729	95,435
1H FY2021			
IT Services			
Systems implementation and enhancement	-	4,458	4,458
Sales of hardware and software	463	-	463
Maintenance and support services	-	22,688	22,688
	463	27,146	27,609
Azeus Products			
Product licensing revenue	-	40,797	40,797
Product service revenue	8,816	-	8,816
Systems implementation and enhancement	-	1,475	1,475
Maintenance and support services	-	740	740
	8,816	43,012	51,828
	9,279	70,158	79,437

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

4. Segment and revenue information (Continued)

(c) Geographical information

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

	Sales for continuing operations	
	1H FY2022	1H FY2021
	HK\$'000	HK\$'000
Hong Kong and China	48,245	42,252
United Kingdom and Europe	18,343	15,310
Australia and New Zealand	8,379	7,367
North America and South America	5,521	4,566
Middle East	9,358	5,710
Africa	5,589	4,232
Total	95,435	79,437

	Non-current assets	
	Sep 2021	Mar 2021
	HK\$'000	HK\$'000
Hong Kong and China	3,562	6,217
United Kingdom and Europe	692	706
Philippines	4,011	4,991
Bermuda and British Virgin Islands	1,561	2,861
Others	467	528
Total	10,293	15,303

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.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

5. Profit and loss information

5(a) Expenses by nature

Expenses included in cost of revenue, research and development, selling and marketing expenses and administrative expenses are analysed as follows:

	1H FY2022	1H FY2021
	(Apr- Sep 21)	(Apr- Sep 20)
	HK\$'000	HK\$'000
Employee compensation	(47,744)	(44,322)
Depreciation of property, plant and equipment (Note 9)	(456)	(253)
Depreciation of right-of-use assets (Note 10(b))	(2,468)	(2,538)
Amortisation of intangible assets (Note 11)	(1,299)	(2,128)
Legal and professional fees	(1,032)	(1,364)
Rental expense on operating leases	(1,078)	(943)
Third-party hardware and software support cost	(3,083)	(2,970)
Project direct service cost, sub-contracting and consultancy fee	(1,425)	(851)
Third-party hardware and software cost	(30)	(347)
Cost of hosting services	(2,989)	(4,556)
Marketing activities expense	(3,395)	(2,285)
Directors remuneration	(1,384)	(1,438)
Utilities	(669)	(869)
Insurance	(762)	(522)
Provision for service warranties	(2,262)	-
Sales consultancy fee	(2,660)	(657)
Sales commission and referral fee	(1,079)	(2,572)
Technical supplies and services	(792)	(722)
Other expenses	(1,596)	(747)
	<hr/>	<hr/>
Total cost of revenue, research and development, selling and marketing and administrative expenses	(76,203)	(70,084)
	<hr/>	<hr/>

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

5. Profit and loss information (Continued)

5(b) Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

	1H FY2022 (Apr - Sep 21) HK\$'000	1H FY2021 (Apr - Sep 20) HK\$'000
Current tax expense:		
Under provision in prior periods	266	404
	266	404

6. Other income and other (losses)/gains – net

	1H FY2022 (Apr - Sep 21) HK\$'000	1H FY2021 (Apr - Sep 20) HK\$'000
Other income comprises of:		
Interest income	5	9
Sundry income	127	730
	132	739
Foreign exchange (losses)/gains, net	(903)	2,170
	(771)	2,909

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

7. Earnings per ordinary share

	<u>Group</u>	
	1H FY2022 (Apr - Sep 21)	1H FY2021 (Apr - Sep 20)
Profit attributable to equity holders of the Company (HK\$'000)	17,495	10,950
Weighted average number of shares	29,999,993	29,999,993
- Basic earnings per share (HK cents)	58.3	36.5
- Fully diluted earnings per share (HK cents)	58.3	36.5

Fully diluted earnings per share is similar to the basic earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 30 September 2021 and 30 September 2020.

8. Net asset value

	<u>Group</u>		<u>Company</u>	
	30 Sep 2021 HK\$	31 Mar 2021 HK\$	30 Sep 2021 HK\$	31 Mar 2021 HK\$
Net asset value per ordinary share based on the existing share capital as at period end	4.50	3.97	3.81	3.87

9. Property, plant and equipment

During the six months ended 30 September 2021, the Group acquired assets amounting to HK\$419,000 (30 September 2020: HK\$297,000) and disposed of assets amounting to net book value of HK\$6,500 (30 September 2020: nil). The depreciation expense during the period amounted to HK\$456,000 (30 September 2020: HK\$253,000).

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

10. Leases – Right-of-use assets and Lease Liabilities

The Group leases office space for the purpose of office operations. There are no externally imposed covenant on these lease arrangements.

	<u>Group</u>	
	30 Sep 2021	31 Mar 2021
	HK\$'000	HK\$'000
(a) Right of use assets – Carrying amount	6,002	8,602
(b) Depreciation charge during the period/year (Note 5(a))	2,468	5,103
(c) Lease Liabilities		
<i>Current</i>	4,785	5,710
<i>Non-current</i>	1,850	3,514
	6,635	9,224
(d) Interest expense on lease liabilities	228	648
(e) Lease expense not capitalised in lease liabilities		
Lease expense – short-term leases (Note 5(a))	1,078	1,798

(f) Total cash outflow for all the leases in the financial period ended 30 September 2021 was HK\$3,763,000 (1H FY2021: HK\$3,640,000).

(g) There is no addition of right-of-use assets during the financial period ended 30 September 2021 (31 March 2021: HK\$675,000).

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

10. Leases – Right-of-use assets and Lease Liabilities (Continued)

(h) Future cash outflow which are not capitalised in lease liabilities

(i) *Extension options*

The leases for certain office space contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

11. Intangible assets

Azeus Products

	Group	
	30 Sep 2021	31 Mar 2021
	HK\$'000	HK\$'000
<i>Cost</i>		
Beginning and end of financial period	<u>26,665</u>	26,665
<i>Accumulated amortisation</i>		
Beginning of financial period	23,804	20,321
Amortisation charge (Note 5(a))	1,299	3,483
End of financial period	<u>25,103</u>	<u>23,804</u>
Net book value	<u>1,562</u>	<u>2,861</u>

Amortisation expense included in the condensed interim consolidated income statement and comprehensive income is analysed as follows:

	Group	
	1H FY2022	1H FY2021
	HK\$'000	HK\$'000
Research and development expenses (Note 5(a))	<u>1,299</u>	<u>2,128</u>

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

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

12. 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:

	<u>Group</u>	
	30 Sep 2021	31 Mar 2021
	HK\$'000	HK\$'000
Deferred income tax assets:		
- to be recovered within one year	-	-
- to be recovered after one year	1,060	1,113
	<u>1,060</u>	<u>1,113</u>

Movement in deferred income tax account is as follows:

	<u>Group</u>	
	30 Sep 2021	31 Mar 2021
	HK\$'000	HK\$'000
Beginning of financial year	1,113	1,056
Tax losses on defined retirement benefits credited to other comprehensive income	-	(57)
Currency translation differences	(53)	54
Tax credited to profit or loss	-	60
End of financial year	<u>1,060</u>	<u>1,113</u>

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.

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F. Notes to the Condensed Interim Consolidated Financial Statements (Continued)

13. Share Capital

	<u>Group and Company</u>	
	Number of issued shares '000	Share capital amount HK\$'000
Balance as at period end	30,000	46,800

All ordinary shares are fully paid. The par value is US\$0.20 per share. As at 30 September 2021, share capital of the Company comprises 29,999,993 ordinary shares (31 March 2021: 29,999,993).

There were no outstanding convertibles, subsidiary holdings or treasury shares as at the end of the current financial period and as at the end of the corresponding period of the immediate preceding financial year.

14. Significant related party transactions

One of the subsidiary corporations has entered into a short term lease agreement with a company which has a common Director. For the six months ended 30 September 2021, the short-term lease payment amount to HK\$35,000 was made (1H FY2021: HK\$29,000). It is based on normal commercial terms and conditions.

15. Borrowings

The Group had no bank borrowings or debt securities as at 30 September 2021 and 31 March 2021.

16. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

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G. Other Information Required by Listing Rule Appendix 7.2

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

The condensed interim consolidated statements of financial position of Azeus Systems Holding Limited and its subsidiaries as at 30 September 2021 and the related condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, the condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

3. Review of performance of the Group

3.1 Review of Statement of Profit or Loss

a. Revenue

	1H FY2022 (Apr-Sep 21) HK\$'000	1H FY2021 (Apr-Sep 20) HK\$'000	+ / (-) %
IT Services			
System implementation and enhancement	6,356	4,458	43
Sale of third-party hardware and software	63	463	(86)
Maintenance and Support Services	23,264	22,688	3
	29,683	27,609	8
Azeus Products	65,752	51,828	27
Total Revenue	95,435	79,437	20

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

a. Revenue (Continued)

Total Group revenue increased by 20.2% to HK\$95.4 million in 1H FY2022 from HK\$79.4 million in 1H FY2021. Overall, IT Services accounted for 31.1% (1H FY2021: 34.8%) of total Group revenue. Revenue from IT Services increased by HK\$2.1 million, or 7.6%, to HK\$29.7 million in 1H FY2022, up from HK\$27.6 million in 1H FY2021.

Systems implementation and enhancement accounted for 6.7% of the total revenue for 1H FY2022 (1H FY2021: 5.6%). Revenue from this segment increased by HK\$1.9 million, or 42.2%, from HK\$4.5 million in 1H FY2021 to HK\$6.4 million in 1H FY2022, mainly due to more projects and enhancements secured in 1H FY2022.

Revenue from the recurring Maintenance and Support Services segment accounted for 24.4% (1H FY2021: 28.6%) of total revenue in 1H FY2022. Revenue from this segment increased slightly by 2.5%, or HK\$0.6 million, from HK\$22.7 million in 1H FY2021 to HK\$23.3 million in 1H FY2022. The increase in revenue was mainly attributable to an increase in chargeable rates price of a few maintenance projects.

Azeus Products accounted for 68.9% (1H FY2021: 65.2%) of total Group revenue. Revenue from Azeus Products increased by HK\$14.0 million, or 27.0%, from HK\$51.8 million in 1H FY2021 to HK\$65.8 million in 1H FY2022. Revenue from this segment is contributed from the sale of the Group's proprietary products — "Azeus Convene", "Convene@AGM" and "AzeusCare" and their associated professional services.

b. Cost of revenue and gross profit margin

Cost of revenue mainly consists of direct expenses related to direct employee salaries for the delivery of service and provision of support services, cost of third-party hardware and software products used in IT services system implementation and maintenance projects, cost subcontracting and consultancy services and hosting the Group's cloud-based application.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

b. Cost of revenue and gross profit margin (Continued)

The Group's cost of revenue increased by HK\$3.2 million, or 11.4%, to HK\$31.2 million in 1H FY2022 from HK\$28.0 million in 1H FY2021. Overall, the Group's gross profit margin improved by 2.5 percentage points to 67.3% in 1H FY2022 as compared to 64.8% in 1H FY2021.

c. Research and development expenses

Research and development expenses consists primarily of personnel and related expenses (including salaries, benefits and bonuses) directly associated with product design and development teams.

The proportion of product design and development expenses that creates a benefit in future years and meets certain requirements under IFRS is capitalisable as an intangible asset and is then amortised over the estimated life of the asset created. The amount amortised relating to the Azeus product is included as a research and development expense.

Total research and development costs were HK\$13.8 million in 1H FY2022, a decrease of HK\$0.4 million, or 2.8% compared to 1H FY2021. The decrease was mainly due to the amortisation of previously capitalised design and development expenditure of HK\$1.3 million (1H FY2021:HK\$2.1 million). Amortisation expense decreased during the period due to lower intangibles balances than in 1H FY2021.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

d. Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries and related expenses of the sales representatives of HK\$14.5 million (1H FY2021: HK\$11.3 million) and cost of marketing activities of HK\$3.4 million (1H FY2021: HK\$2.3 million) which includes advertising, trade shows and events, corporate communications, brand building and product marketing activities.

Selling and marketing expenses increased by 31.6%, or HK\$4.3, million to HK\$17.9 million in 1H FY2022 as compared to HK\$13.6 million in 1H FY2021 due to an increase in sales representative personnel cost of HK\$3.2 million as sales headcount increased. The increase is in line with the Group's strategy to expand its sales team to pursue subscriber growth.

e. Administrative expenses

Administrative operating expenses includes legal and professional fees, Directors' fees, audit fee, rent and rates and other operating expenses. The total expenses decreased by HK\$0.9 million, or 6.3%, to HK\$13.3 million in 1H FY2022 from HK\$14.2 million in 1H FY2021.

f. Other income and other (losses)/gains – net

	1H FY2022 (Apr - Sep 21) HK\$'000	1H FY2021 (Apr - Sep 20) HK\$'000	+ / (-) %
Other income comprises of:			
Interest income	5	9	(44)
Sundry income	127	730	(83)
	132	739	(82)
Foreign exchange (losses)/gains, net	(904)	2,170	(142)
	(771)	2,909	(127)

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

f. Other income and other (losses)/gains – net (Continued)

The sundry income represented the subsidies and grants introduced by various governments to support businesses amid the COVID-19 pandemic. There were less grants offered in 1H FY2022.

The decrease in other income for 1H FY2022 was due to lower net foreign exchange gain arising from the translation of net monetary assets recorded during the period as compared to 1H FY2021.

g. Finance cost – lease interest

Finance lease interest arises from the lease of office space. The finance lease interest has decreased by 50.0% in 1H FY2022 as compared to 1H FY2021, from HK\$0.4 million in 1H FY2021 to HK\$0.2 million in 1H FY2022 due to lower principal lease liability as compared to 1H FY2021, from the repayment made during the financial period under review.

h. Net profit after taxation

The Group reported a net profit of HK\$17.5 million in 1H FY2022 as compared to a net profit of HK\$11.0 million in 1H FY2021.

3.2 Review of Statement of Financial Position

a. Trade and other receivables

Trade and other receivables increased by 13.3% from HK\$40.7 million as at 31 March 2021 to HK\$46.1 million as at 30 September 2021. The Group closely managed the recoverability of the receivables and recorded an impairment loss of financial assets of HK\$0.5 million in 30 September 2021 (31 March 2021: HK\$0.5 million).

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

3.2 Review of Statement of Financial Position (Continued)

b. Contract assets

The Group's customers pay the fixed amount based on an agreed contractual payment schedule. Contract assets are recognised if the services rendered by the Group exceed the payment. Contract assets increased by HK\$0.9 million, or 13.2%, from HK\$6.8 million to HK\$7.7 million as more contracts were secured as at 30 September 2021 and have not reached the milestone payment yet.

c. Right-of-use assets

The right-of-use assets arises from office space lease arrangement that was entered by its subsidiaries for operational purposes. The right-of-use assets has decreased by 30.2% as at 30 September 2021, from HK\$8.6 million as at 31 March 2021 to HK\$6.0 million as at 30 September 2021, purely due to the depreciation charged during the period, amounted to HK\$2.6 million.

d. Intangible assets – development cost of Azeus Products

Payroll related costs for employees who are directly involved in the development of new features, upgrades and enhancements of Azeus Products are capitalised as intangible assets. Net carrying value as at 30 September 2021 amounted to HK\$1.6 million, a decrease from HK\$2.9 million mainly due to the amortisation of HK\$1.3 million in 1H FY2022.

e. Refundable deposits – non-current

The refundable deposits has decreased by HK\$1.1 million, or 68.8%, from HK\$1.6 million as at 31 March 2021, to HK\$0.6 million as at 30 September 2021. This is due to a rental deposit of HK\$1.1 million was reclassified as current asset during the period under review, following the remaining lease term of the underlying rented office space.

G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

3.2 Review of Statement of Financial Position (Continued)

f. Lease liabilities – current and non-current

Similar to the right-of-use assets, lease liabilities arise from office space lease arrangement that was entered by the subsidiaries for operational purposes. As of 30 September 2021, the current lease liabilities has decreased by HK\$ 0.9 million, or by 15.8% as compared to 31 March 2021, from HK\$5.7 million to HK\$4.8 million. While the non-current lease liabilities have decreased by HK\$ 1.6 million, or by 45.7%, from HK\$3.5 million on 31 March 2021, to HK\$1.9 million on 30 September 2021. This is due to the repayment of the principal lease liabilities amounted to HK\$2.3 million made during the period, while another HK\$0.2 million was made for the payment of interest on lease liabilities.

g. Contract liabilities

Contract liabilities primarily consists of billings due or payments received in advance of revenue recognition from subscription services and IT Services maintenance and support services respectively. Contract liabilities that will be recognise during the succeeding twelve months period is recorded as current contract liabilities while more than twelve months is recorded as non-current. Total contract liabilities remain relatively stable, amounted to HK\$64.4 million as at 30 September 2021 as compared to HK\$64.5 million as at 31 March 2021.

h. Current income tax liabilities

Current income tax liabilities have decreased by 50.0% or HK\$0.3 million equivalent from HK\$0.6 million in 1H FY2021, compared to HK\$0.3 million in 1H FY2022.

i. Share capital and reserves

The Group's shareholders' equity increased from HK\$119.1 million as of 31 March 2021 to HK\$135.0 million as at 30 September 2021 mainly due to the net profit of HK\$17.5 million which was due to the growth in revenue generated in 1H FY2022.

G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

3.3 Review of Statement of Cash Flows

The Group's net cash generated from operating activities was HK\$17.2 million in 1H FY2022 as compared to HK\$33.2 million in 1H FY2021. Overall, the Group managed to maintain a higher cash position of HK\$170.1 million as of 30 September 2021 (31 March 2021: HK\$158.3 million).

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

There has been no significant variance in the results of the Group in the first half of FY2022 as compared to the prospect statement disclosed in the announcement of results for the full year ended 31 March 2021 on 27 May 2021.

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

We continue to execute on our plan to grow the product segment. Barring unforeseen circumstances, we remain cautiously optimistic on the outlook of FY2022.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

6. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No interim dividend has been declared / recommended during the period ended 30 September 2021.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

A first and final dividend of 39.0 HK cents per ordinary share was recommended and approved in respect of the financial year ended 31 March 2021. The total dividend amount of HK\$11.8 million was paid on 29 October 2021.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No interim dividend has been declared / recommended during the period ended 30 September 2021 after taking into consideration of the Group's cash flow requirements and investment plan.

8. Interested person transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

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G. Other Information Required by Listing Rule Appendix 7.2 (Continued)

9. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

10. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 September 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lee Wan Lik
Managing Director and Chairman

Yap Kiam Siew Michael
Executive Director and Deputy Chairman

BY ORDER OF THE BOARD
LEE WAN LIK
MANAGING DIRECTOR
12 November 2021