

# REFINING OUR DIRECTION STRENGTHENING OUR CORE

Annual Report 2015



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# CORPORATE PROFILE



**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. In addition, we are engaged in business process outsourcing (BPO). 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

**Ms Peggy Sam** (Group Financial Controller)  
**Ms Mary Rose T. Tan** (President of Azeus Philippines)  
**Mr Rene Toling Lindio** (Chief Technology Officer)  
**Mr Jerry Chua** (Director of Azeus Philippines)

## 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**

## Joint Company Secretaries

**Mr Yap Wai Ming**  
**Ms Busarakham Kohsikaporn**

## 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

**Appleby Management (Bermuda) Ltd**  
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  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424

## 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

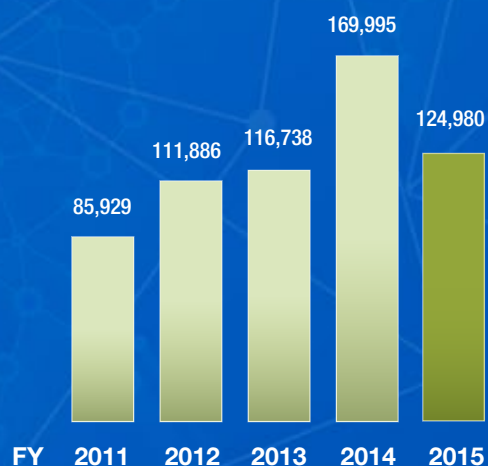
## Investor Relations Contact

**Citigate Dewe Rogerson i.MAGE Pte Ltd**  
55 Market Place  
#02-01  
Singapore 048941  
Tel: (65) 6534 5122  
Fax: (65) 6534 4171

# FINANCIAL HIGHLIGHTS

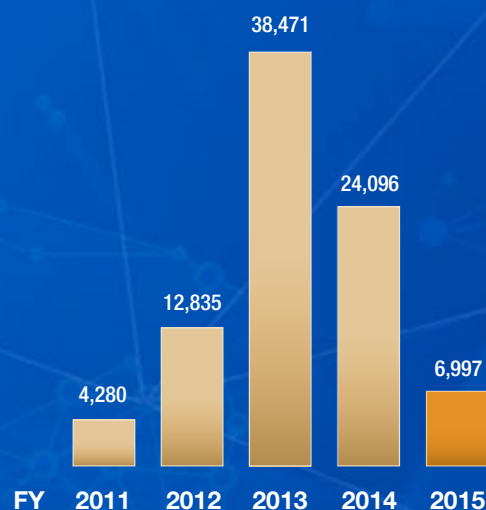
## REVENUE

(HK \$'000)



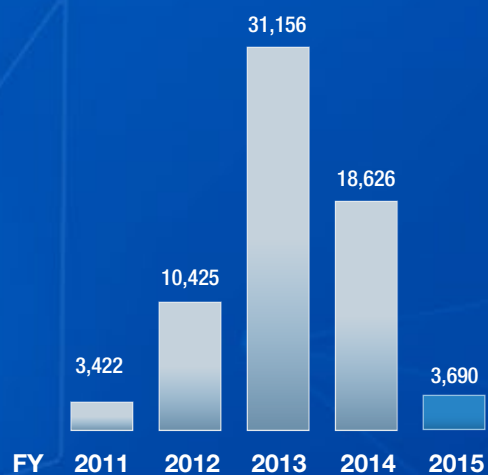
## PROFIT BEFORE TAX

(HK \$'000)



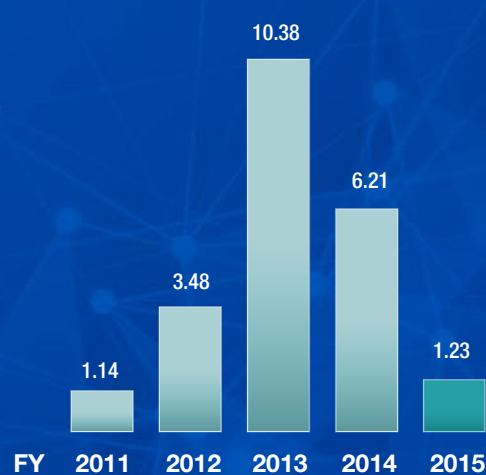
## NET PROFIT

(HK \$'000)



## EARNINGS PER SHARE

(HK Cents)



# OUR SERVICES

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## 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 and disaster recovery drill, and system technical support.



## Business Process Outsourcing

Our extensive experience and expertise in rendering business process management and providing business technology solutions offer a total solution to meet your business process outsourcing needs.





# OUR PRODUCTS

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 you automate your organisation's existing operations.



# MANAGING DIRECTOR'S MESSAGE



“

Revenue from our IT Services business from Hong Kong's public sector continues to remain the Group's major revenue contributor as we continue to deliver and maintain high value complex IT systems for existing customers during 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 2015 (“FY2015”).

### FY2015 Financial Review

Revenue from our IT Services business from Hong Kong's public sector continues to remain the Group's major revenue contributor as we continue to deliver and maintain high value complex IT systems for existing customers during the year.

The Group also made further headway in United Kingdom's IT Services market during the year, with a 10-year contract awarded, worth GBP1.4 million (approximately HK\$16.8 million) for the provision of social care ICT solutions through our proprietary product, AzeusCare. The contract win also represented a milestone in the Group's efforts to invest and further penetrate the UK IT Services market.

Revenue from the Azeus Product Sales segment posted a very healthy increase of HK\$6.9 million, or 673%, to HK\$7.9 million in FY2015. The Azeus Product Sales segment contributed 6.4% of the total revenue during the year under review.

Despite the positive response to the Group's proprietary products, FY2015 remained a challenging year. This was due to lower recorded sales and contracts secured by the Group's IT Services segment, and the expiration of a service contract in

the Group's Business Process Outsourcing (“BPO”) segment. As a result, Group revenue dipped 26.5% to HK\$125.0 million in FY2015, from HK\$170.0 million in FY2014.

Revenue from the Group's IT Services segment decreased HK\$57.4 million, or 51.5%, to HK\$54.0 million for FY2015. Out of the HK\$57.4 million dip in revenue for this business segment, HK\$40.5 million or 70.4% was caused by the lower project hardware and software sales. Despite the dip in revenue, the IT Services segment remains one of the Group's major revenue contributors, accounting for 43.2% of total Group revenue.

Revenue from the Group's Maintenance and Support Services (“MSS”) segment increased HK\$9.7 million, or 21.8%, to HK\$54.4 million, emerging as another of the Group's major revenue contributors, accounting for 43.5% of total revenue for FY2015.

Revenue from the BPO segment, accounting for 6.9% of total revenue, decreased HK\$4.2 million or 32.9% to HK\$8.7 million for FY2015 due to the expiration of a service contract.

In line with the lower sales volumes and the Group's cost control measures, cost of sales decreased HK\$35.1 million or 30.5% to HK\$79.8 million in FY2015, allowing the Group to record a higher gross profit margin of 36.2% in FY2015, compared to 32.4% in FY2014.



Selling and marketing expenses increased HK\$2.0 million, or 45.6%, to HK\$6.5 million in FY2015 as the Group steps up marketing efforts for lead generation and the planned expansion of the global sales team to increase the Group's presence in new markets.

As a result, largely due to the challenging sales environment, profit attributable to equity holders ("net profit") declined 80.2% to HK\$3.7 million in FY2015, from HK\$18.6 million in FY2014.

Despite the challenges of the year in review, the Group remains in a healthy net cash position, with no borrowings and a very healthy cash position of HK\$63.4 million as at 31 March 2015, which includes HK\$3.8 million in pledged deposits.

The Group is pleased to share that the proceeding regarding the legal costs associated with the arbitration was settled in favour of the Group on 15 April 2015. A settlement of HK\$8.75 million was made between the Group and the customer, with payment received after the Group's financial year end. This amount will be recognised as income in our next financial year.

## Expanding Our Horizons

Backed by our capabilities as a leading provider of IT consultancy services with a proven track record, the Group utilised our enterprise software engineering skills to develop two proprietary products, Azeus Convene and AzeusCare.

It is testament to the Group's capabilities that Azeus Convene, our board meeting software, has since achieved a worldwide customer base. Previously known as the Anywhere Pad, Azeus Convene has built up a strong base of customers, ranging from banking, finance, insurance, retail, healthcare, education, government and charity organisations across North America, Europe, Africa, Asia and Australia. We aim to bring the best of our services to customers globally.

AzeusCare on the other hand, achieved a breakthrough during the year with a contract win of GBP1.4 million (equivalent to approximately HK\$16.8 million) for ten years.

Whilst there is no guarantee of success, the Group believes that only through further investments in sales and marketing, and product development will Azeus be able to move forward. With sound core business fundamentals providing us with a strong support system, the Group will be able to focus on building up new business and expanding internationally to secure the long-term future of Azeus.

## Dividend

The Board would like to thank our shareholders for their continued support and confidence in Azeus, despite the challenging sales environment. The Group has recommended a first and final dividend of 1.23 HK cents per ordinary share, subject to shareholders' approval in the upcoming Annual General Meeting on 9 July 2015.

## Words of Appreciation

While the business environment remains competitive, Azeus has always been able to deliver consistently high quality solutions over the years, ensuring that the Group has had a solid track record on which we will be able to leverage on to press ahead with all our future endeavours. We are grateful for the support and belief shown in the Group and our success thus far would not have been possible without our stakeholders.

Therefore, on behalf of the Board of Directors, I would like to express my most sincere appreciation to all our employees, customers, shareholders and business partners.

I look forward to receiving your continued support as we strive to scale greater heights and secure Azeus' long term future.

Yours sincerely,

**LEE WAN LIK**

*Founder and Managing Director*

# BOARD OF DIRECTORS

## 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 HongKong 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 Skyvest International Limited 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 one of BusinessWeek's 50 Stars of Asia for his significant contributions to the IT industry in Singapore in 1999. He was nominated by the World Economic Forum as one of the Top 100 Future Global Leaders in 2000.

## **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.

## **MR CHAN CHING CHUEN**

Independent Director

Mr Chan Ching Chuen, joined Azeus Systems Holdings Board of Directors on 1 February 2008 as an Independent Director. 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 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 and Vice President (2000-2003) 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 and Prince Philip Medal of Royal Academy of Engineering in 2000, 2010 and 2014 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 Tsing Hua University in 1959 with a Master of Science in Electrical Engineering, later achieving his PhD in 1982 from University of Hong Kong. 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

## 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 Certified General Accountants Association of Canada since 2009.

## 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.

## 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.

## 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.

# 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 complied with the principles and guidelines as set out in the Code where appropriate.

## 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 Meeting 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 fulfill 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.

# CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2015, 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 and CEO) - 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 (Lead Independent Director)	2	2	1	1
Mr Koji Miura (Independent Director)	2	2	1	1*
Mr Chan Ching Chuen (Independent Director)	2	2	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 as at 31 March 2015 are disclosed in the Directors' Report of the Audited Financial Statements for the financial year ended 31 March 2015.

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 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 ten 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 Independent Directors met up annually without the presence of Management, to facilitate a more effective check on the Management.



# CORPORATE GOVERNANCE REPORT

## Principle 3: Chairman and Chief Executive Officer (“CEO”)

The Group’s Chairman, Managing Director and 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 CEO 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 CEO 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 CEO 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 CEO are the same person, the Board has appointed Mr Michael Yap Kiam Siew as Lead Independent Director (“LID”), the appointment being effective for the financial year ended 31 March 2015 onwards. Mr Yap will be available to shareholders where they have concerns where contact through the normal channels of the Chairman, CEO 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 Chairman and CEO and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;
- (b) advise the 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.

# CORPORATE GOVERNANCE REPORT

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.

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 Annual General Meeting ("AGM") immediately following his appointment and thereafter, be subjected to retirement by rotation. No new Director was appointed by the Company in FY2015.

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 8 of the Annual Report for key information on the Directors, and the Notice of AGM as set out on Page 67 of the Annual Report for Directors proposed for re-election or re-appointment (as the case may be). These Directors have expressed their consent to seek re-election as Directors of the Company at the forthcoming AGM. The NC has recommended their nomination for re-election. The Board has accepted the NC's recommendation. Currently, no alternate Directors have been appointed in respect of any of the Directors.

# CORPORATE GOVERNANCE REPORT

## 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 are 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 senior 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 Secretaries. The Company Secretaries 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 Secretaries also advise the Board on corporate 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 secretaries 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 has access to expert advice in the field of Executive compensation outside the Company, as and when required.



# CORPORATE GOVERNANCE REPORT

## 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.

## 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 2015 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\$17,000	HK\$617,000
Ms Lam Pui Wan – spouse of Lee Wan Lik	HK\$208,000	–	–	–	HK\$208,000
Mr Michael Yap Kiam Siew (S\$28,000)	–	–	HK\$168,000	–	HK\$168,000
Mr Koji Miura (S\$25,000)	–	–	HK\$150,000	–	HK\$150,000
Mr Chan Ching Chuen (S\$25,000)	–	–	HK\$150,000	–	HK\$150,000

The Company only has 4 key management personnel and the disclosure of their remuneration in bands of less than S\$250,000 for the financial year ended 31 March 2015 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)				
Ms Mary Rose T. Tan	85%	–	15%	100%
Mr Rene Toling Lindio	85%	–	15%	100%
Mr Jerry Chua	86%	–	14%	100%
Ms Peggy Sam	100%	–	–	100%
Total remuneration paid in FY 2015 to the key management personnel	HK\$1,700,941	–	HK\$187,728	HK\$1,888,669

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 and 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 2015. This recommendation has been endorsed by the Board and will be tabled at the Company's Annual General Meeting for shareholders' approval.

# CORPORATE GOVERNANCE REPORT

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 3 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 2015.

## 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 2015.

## 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) of the Company from time to time. Further details of the Scheme can be found on page 23 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 senior 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 senior management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis. The senior 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 senior 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 senior management and the Board.

The Company does not have a Risk Management Committee. However, senior 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 senior 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 27 of the Notes to the Financial Statements on Pages 54 to 61 of this Annual Report.

# CORPORATE GOVERNANCE 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. Non-compliance and internal control weaknesses as well as recommendations for improvements noted during the audit were reported to the AC. The AC has reviewed the effectiveness of the action taken by the senior 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 FY2015, the Board is of the view that based on the reports from the internal auditor, the system of internal controls that has been maintained by senior 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 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. None of the members of the AC was a former partner or director of the external auditors, PricewaterhouseCoopers LLP.

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 external 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.



# CORPORATE GOVERNANCE REPORT

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 external auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

For the financial year ended 31 March 2015, remuneration paid and payable to PricewaterhouseCoopers LLP in relation to audit and non-audit services were HK\$1,208,000 and HK\$30,000 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 senior management. Both the internal and external auditors have confirmed that they have access to and received the co-operation and assistance from senior 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 LLP, 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 AC has also confirmed that the Company has complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore or its member firm to audit the financial statements of the Group and its subsidiaries.

Pursuant to Rule 716 of the SGX-ST Listing Manual of the SGX-ST, the AC and the Board are satisfied that the appointment of Dalian Mingyike Certified Public Accountants Co., Ltd (an audit firm in the People's Republic of China) and Wellden Turnbull LLP, United Kingdom to audit the statutory financial statements of Azeus Systems (Dalian) Co., Ltd and Azeus UK Limited respectively, would not compromise the standard and effectiveness of the audit of the Company. Although PwC was not appointed as the statutory auditor of these two subsidiaries for the issuance of the local statutory financial statements, they have performed adequate audit work on the Group independently, including these two subsidiaries, in forming their audit opinion for the financial year ended 31 March 2015. Please refer to Note 16 under the Notes to the Financial Statements on Page 46 of this Annual Report.

## **Principle 13: Internal Audit**

The Company has not established an internal audit function but the Company has appointed 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 senior management. The AC will consider the effectiveness of responses / actions taken by senior management on the audit recommendations and observations.

The Board shall consider expanding its internal audit resources as and when the need arises.

# CORPORATE GOVERNANCE REPORT

## 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 articles 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 Annual General Meeting ("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](http://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.

The Company 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.

### Principle 16: Conduct of Shareholder Meetings

The Annual General Meeting of the Company represents the principal forum for dialogue and interaction with all shareholders. At each Annual General Meeting, 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 senior management, are always available to shareholders upon request.

Due to the high cost in employing electronic polling and relatively small number of shareholders will turn up for the general meetings, the voting process of the Company is done via a show of hands unless a poll is demanded.

### 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.

# CORPORATE GOVERNANCE REPORT

## 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 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 also 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 Managing Director, 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.



# DIRECTORS' REPORT

For the Financial Year ended 31 March 2015

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2015 and the balance sheet of the Company as at 31 March 2015.

## Directors

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

Mr Lee Wan Lik  
Ms Lam Pui Wan  
Mr Koji Miura  
Mr Michael Yap Kiam Siew  
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 or nominee		Holdings in which director is deemed to have an interest	
	At 31.3.2015	At 1.4.2014	At 31.3.2015	At 1.4.2014
<b>Azeus Systems Holdings Ltd.</b>				
<u>(No. of ordinary shares)</u>				
Mr Lee Wan Lik	80,321,326 <sup>(1)</sup>	80,321,326 <sup>(1)</sup>	153,000,000 <sup>(2)</sup>	153,000,000 <sup>(2)</sup>
Ms Lam Pui Wan	14,000,000 <sup>(1)</sup>	14,000,000 <sup>(1)</sup>	153,000,000 <sup>(2)</sup>	153,000,000 <sup>(2)</sup>
<b>Ultimate Holding Company – Mu Xia Ltd</b>				
<u>(No. of ordinary shares)</u>				
Mr Lee Wan Lik	1,200	1,200	10,800	10,800
Ms Lam Pui Wan	10,800	10,800	1,200	1,200

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

- (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 share capital of the Company as at 21 April 2015 remained unchanged from those as at 31 March 2015.

# DIRECTORS' REPORT

For the Financial Year ended 31 March 2015

## Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr Lee Wan Lik and Ms Lam Pui Wan have employment relationships with a subsidiary and have received remuneration in those capacities.

## 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 Independent directors:

1. Mr Michael Yap Kiam Siew (Chairman)
2. Mr Koji Miura
3. 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

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Lee Wan Lik  
Director

15 June 2015

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Lam Pui Wan  
Director

# STATEMENT BY THE DIRECTORS

For the Financial Year ended 31 March 2015

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 26 to 64 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

On behalf of the directors

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Lee Wan Lik  
Director

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Lam Pui Wan  
Director

15 June 2015

# INDEPENDENT AUDITOR'S REPORT

To the Members of Azeus Systems Holdings Ltd.

## Report on the Financial Statements

We have audited the accompanying financial statements of Azeus Systems Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 26 to 64, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2015, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants

Singapore, 15 June 2015



# CONSOLIDATED INCOME STATEMENT

For the Financial Year ended 31 March 2015

	Note	Group	
		2015 HK\$'000	2014 HK\$'000
Sales	4	124,980	169,995
Cost of sales		(79,756)	(114,833)
Gross profit		45,224	55,162
Other income	7	227	250
Other (losses) / gains - net	8	(2,269)	714
Expenses			
- Selling and marketing		(6,505)	(4,467)
- Administrative		(29,680)	(27,563)
Profit before income tax		6,997	24,096
Income tax expense	9	(3,307)	(5,470)
<b>Net profit</b>		<b>3,690</b>	<b>18,626</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		3,690	18,626
<b>Earnings per share for profit attributable to equity holders of the Company (HK cents per share)</b>			
- Basic	10	1.23	6.21
- Diluted	10	1.23	6.21

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year ended 31 March 2015

	Note	Group	
		2015 HK\$'000	2014 HK\$'000
Profit attributable to equity holders of the Company		3,690	18,626
Items that may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation – gains		1,162	38
Items that will not be reclassified subsequently to profit or loss:			
Effect of change in accounting policy:			
- Remeasurements of defined retirement benefits	20	–	1,650
- Tax on remeasurements		–	(165)
Actuarial losses on defined retirement benefits	20	(2,675)	–
Tax on actuarial losses		265	–
		(2,410)	1,485
Other comprehensive (loss) / income for the year, net of tax		(1,248)	1,523
Total comprehensive income for the year		2,442	20,149
Total comprehensive income attributable to:			
Equity holders of the Company		2,442	20,149

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

# BALANCE SHEETS

For the Financial Year ended 31 March 2015

		Group		Company	
	Note	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	11	63,392	92,720	1,591	421
Trade and other receivables	12	21,220	12,512	57,339	74,455
Unbilled revenue on service contracts	14	33,198	36,909	—	—
Inventories	15	5,809	351	—	—
Other current assets		40	40	—	—
		123,659	142,532	58,930	74,876
<b>Non-current assets</b>					
Refundable deposits		369	346	—	—
Investments in subsidiaries	16	—	—	50,423	50,443
Property, plant and equipment	17	758	709	—	—
Intangible assets	18	5,204	—	—	—
Deferred income tax assets	21	938	615	—	—
		7,269	1,670	50,423	50,443
<b>Total assets</b>		130,928	144,202	109,353	125,319
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	19	16,935	17,181	1,498	1,430
Current income tax liabilities	9	228	60	—	—
		17,163	17,241	1,498	1,430
<b>Non-current liability</b>					
Provision for defined retirement benefits	20	9,063	6,071	—	—
<b>Total liabilities</b>		26,226	23,312	1,498	1,430
<b>NET ASSETS</b>		104,702	120,890	107,855	123,889
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	22	46,800	46,800	46,800	46,800
Share premium		56,489	56,489	56,726	56,726
Foreign currency translation reserve		1,276	114	—	—
Other reserves	23	1,328	1,328	—	—
Defined retirement benefits		(6,482)	(4,072)	—	—
Retained profits	24	5,291	20,231	4,329	20,363
<b>Total equity</b>		104,702	120,890	107,855	123,889

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 March 2015

← Attributable to equity holders of the Group →							
Note	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 HK\$'000	Total equity HK\$'000
<b>2015</b>							
<b>Beginning of financial year</b>	46,800	56,489	114	1,328	(4,072)	20,231	120,890
Profit attributable to equity holders of the Company	—	—	—	—	—	3,690	3,690
Other comprehensive income / (loss)	—	—	1,162	—	(2,410)	—	(1,248)
Total comprehensive income / (loss) for the year	—	—	1,162	—	(2,410)	3,690	2,442
Dividend relating to 2014 paid	25	—	—	—	—	(18,630)	(18,630)
<b>End of financial year</b>	<b>46,800</b>	<b>56,489</b>	<b>1,276</b>	<b>1,328</b>	<b>(6,482)</b>	<b>5,291</b>	<b>104,702</b>
<b>2014</b>							
<b>Balance as at 1 April 2013 as previously reported</b>	46,800	56,489	156	1,328	—	32,715	137,488
Effect of change in accounting policy	—	—	(80)	—	(5,557)	30	(5,607)
Balance as at 1 April 2013, as restated	46,800	56,489	76	1,328	(5,557)	32,745	131,881
Profit attributable to equity holders of the Company	—	—	—	—	—	18,626	18,626
Other comprehensive income	—	—	38	—	1,485	—	1,523
Total comprehensive income for the year	—	—	38	—	1,485	18,626	20,149
Dividend relating to 2013 paid	25	—	—	—	—	(31,140)	(31,140)
<b>End of financial year</b>	<b>46,800</b>	<b>56,489</b>	<b>114</b>	<b>1,328</b>	<b>(4,072)</b>	<b>20,231</b>	<b>120,890</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 March 2015

	Note	Group	
		2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Profit attributable to equity holders of the Company		3,690	18,626
Adjustments for:			
- Income tax expense	9	3,307	5,470
- Depreciation of property, plant and equipment	17	423	387
- Amortisation of intangible assets	18	840	—
- Interest income	7	(155)	(141)
- Provision for defined retirement benefits	20	1,157	998
- Exchange differences		(27)	(547)
		9,235	24,793
Changes in working capital			
- Pledged bank deposits		3,465	(24)
- Trade and other receivables		(8,554)	2,200
- Unbilled revenue on service contracts		3,779	26,324
- Refundable deposits		(23)	6
- Inventories		(5,362)	29,068
- Trade and other payables		(241)	(2,450)
Cash generated from operations		2,299	79,917
Contributions to defined retirement benefits	20	(813)	(672)
Income tax paid	9	(3,198)	(11,104)
<b>Net cash (used in) / generated from operating activities</b>		<b>(1,712)</b>	<b>68,141</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(477)	(226)
Additions to intangible assets		(6,044)	—
Disposal of property, plant and equipment		6	—
Interest received		155	141
<b>Net cash used in investing activities</b>		<b>(6,360)</b>	<b>(85)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to equity holders of the Company	25	(18,630)	(31,140)
<b>Cash used in financing activities</b>		<b>(18,630)</b>	<b>(31,140)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(26,702)</b>	<b>36,916</b>
Cash and cash equivalents at beginning of financial year		85,542	48,626
Effects of currency translation on cash and cash equivalents		777	—
<b>Cash and cash equivalents at end of financial year</b>	11	<b>59,617</b>	<b>85,542</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

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 incorporated as an exempt company with limited liability under the Companies Act 1981 of Bermuda with registered office at 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 Company is listed on the Singapore Exchange.

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 have been 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 2015*

On 1 April 2014, 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

Sales 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 assess 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.2 Revenue recognition (continued)

#### (a) *Service contracts (continued)*

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.

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/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. Fees relating to future periods are treated as advances from customers within "trade and other payables" in the balance sheet.

#### (c) *Support services fees and business process outsourcing fees*

Support service fees and business process outsourcing fees are recognised when the services are rendered.

#### (d) *Product income*

Product income are revenue from the sale of computer software in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.3 Group accounting

#### *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, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

##### *(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. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

##### *(iii) Disposals of subsidiaries*

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 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.3 Group accounting (continued)

#### (iii) *Disposals of subsidiaries (continued)*

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*

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

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.

#### (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:

	<u>Useful lives</u>
Leasehold improvements and 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 Group 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.5 Intangible assets

Costs directly attributable to the development of computer software 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 software and the costs can be measured reliably. Such costs include payroll related costs of employees directly involved in the project.

Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software.

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

Computer software is 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 three 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 investments in subsidiaries, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.8 Financial assets

#### (a) *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”, “cash and cash equivalents” and “unbilled revenue on service contracts” on the balance sheet.

#### (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 allowance for impairment loss account 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.9 Inventories

Inventories comprise 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, less applicable variable selling expenses.

### 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.

### 2.11 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 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 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

Leases of assets 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.13 Income taxes (continued)

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.

### 2.14 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 and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

#### (b) *Pension benefits*

The Group operates both defined retirement benefits and defined contribution post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the provident fund scheme in Hong Kong on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

Defined retirement benefits plans are post-employment benefit pension plans other than defined contribution plans. Defined retirement benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

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 retirements benefits pension plan is the present value of the defined retirements benefits obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined retirements benefits obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined retirements 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 which approximate the terms of the related pension liability.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.14 Employee compensation (continued)

#### (b) *Pension benefits (continued)*

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 managing director and 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.

#### (d) *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 when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### 2.15 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 translation 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.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 2. Significant accounting policies (continued)

### 2.15 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 foreign 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 on or after 1 April 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. For acquisitions prior to 1 April 2005, the exchange rates at the dates of acquisition are used.

### 2.16 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.

### 2.17 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.

### 2.18 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.

### 2.19 Dividends to Company's shareholders

Dividends are recognised when the dividends are approved for payments.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 3. Critical accounting estimates 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.

### Revenue recognition

The Group recognises contract revenue for provision of IT services based on the percentage-of-completion 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.

Significant assumptions are required 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 differ by 10% from management's estimates, the Group's profit will increase/decrease by approximately HK\$3.8 million and HK\$3.9 million respectively.

## 4. Sales

	Group	
	2015 HK\$'000	2014 HK\$'000
<b>Professional IT Services</b>		
IT Services, including sales of project hardware and software	54,025	111,459
Maintenance and support services	54,354	44,608
Business process outsourcing	8,661	12,901
	<b>117,040</b>	<b>168,968</b>
<b>Azeus Products Sales</b>	<b>7,940</b>	<b>1,027</b>
	<b>124,980</b>	<b>169,995</b>

## 5. Expenses by nature

	Group	
	2015 HK\$'000	2014 HK\$'000
Purchases of project hardware and software products (Note 15)	961	32,448
Depreciation of property, plant and equipment (Note 17)	423	387
Amortisation of intangible assets (Note 18)	840	—
Employee compensation (Note 6)	87,562	82,988
Rental expense on operating leases	6,020	5,153
Legal and professional fees	2,301	2,152
Repairs and maintenance expenses	8,072	6,871
Other expenses	9,762	16,864
Total cost of sales, selling and marketing and administrative expenses	<b>115,941</b>	<b>146,863</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 6. Employee compensation

	Group	
	2015	2014
	HK\$'000	HK\$'000
Wages and salaries	80,957	77,050
Employer's contribution to defined contribution plans	5,793	4,940
Defined retirement benefits expenses (Note 20)	1,157	998
Recovery of provision for long-service payment	(515)	—
Provision of unutilised leave	170	—
	<b>87,562</b>	<b>82,988</b>

## 7. Other income

	Group	
	2015	2014
	HK\$'000	HK\$'000
Interest income	155	141
Sundry income	72	109
	<b>227</b>	<b>250</b>

## 8. Other (losses) / gains - net

	Group	
	2015	2014
	HK\$'000	HK\$'000
Currency translation (loss) / gain - net	<b>(2,269)</b>	<b>714</b>

## 9. Income taxes

### (a) Income tax expense

	Group	
	2015	2014
	HK\$'000	HK\$'000
Tax expense/(credit) attributable to profit is made up of:		
- Current income tax - foreign	3,414	5,530
- Deferred income tax (Note 21)	(59)	(29)
	<b>3,355</b>	<b>5,501</b>
Over provision in prior financial years		
- Current income tax - foreign	(48)	(31)
	<b>3,307</b>	<b>5,470</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 9. Income taxes (continued)

### (a) Income tax expense (continued)

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

	Group	
	2015 HK\$'000	2014 HK\$'000
Profit before tax	6,997	24,096
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,035	4,042
Effects of		
- expenses not deductible for tax purposes	209	—
- income not subject to tax	(24)	(46)
- income tax losses not recognised	862	1,466
- temporary differences not recognised	396	146
- over provision of tax	(48)	(31)
- other	(123)	(107)
Tax charge	3,307	5,470

The weighted average applicable tax rate was 16.4% (2014: 16.5%).

### (b) Movements in current income tax liabilities

	Group	
	2015 HK\$'000	2014 HK\$'000
Beginning of financial year	60	5,669
Currency translation difference	—	(4)
Over provision in prior financial years	(48)	(31)
Income tax paid	(3,198)	(11,104)
Tax expense	3,414	5,530
End of financial year	228	60

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 10. Earnings per share

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

	Group	
	2015	2014
Net profit attributable to equity holders of the Company (HK\$'000)	3,690	18,626
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	300,000	300,000
Basic earnings per share (HK cents per share)	1.23	6.21
Diluted earnings per share (HK cents per share)	1.23	6.21

Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares as at 31 March 2015 and 31 March 2014.

## 11. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and on hand	58,352	55,541	1,591	421
Short-term bank deposits	5,040	37,179	–	–
	63,392	92,720	1,591	421

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Cash and bank balances (as above)	63,392	92,720
Less: Bank deposits pledged (Note)	(3,775)	(7,178)
Cash and cash equivalents per consolidated statement of cash flows	59,617	85,542

Note:

As at 31 March 2015, included in the cash and cash equivalents were bank deposits amounting to HK\$3,775,000 (2014: HK\$7,178,000) 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 41 days (2014: 84 days) from the end of the financial year with the following weighted average effective interest rates:

	Group	
	2015	2014
	%	%
Hong Kong Dollar	0.40	0.87

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 12. Trade and other receivables

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade receivables				
- Non-related parties	11,870	3,491	–	–
Amount due from subsidiaries				
- Non-trade (Note 13)	–	–	57,073	74,060
Other receivables and deposits	5,133	4,535	–	129
Prepayments	4,217	4,486	266	266
	<b>21,220</b>	<b>12,512</b>	<b>57,339</b>	<b>74,455</b>

## 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	
	2015 HK\$'000	2014 HK\$'000
Aggregate contract costs incurred and profits recognised (less losses recognised) to date	46,836	59,843
Currency translation difference	–	(77)
Less: Progress billings	(13,067)	(22,857)
	<b>33,769</b>	<b>36,909</b>
Less: Provision for doubtful debt on unbilled revenue on service contracts	(571)	–
	<b>33,198</b>	<b>36,909</b>

## 15. Inventories

	Group	
	2015 HK\$'000	2014 HK\$'000
Project hardware and software	<b>5,809</b>	<b>351</b>

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\$961,000 (2014: HK\$32,448,000) (Note 5).



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 16. Investments in subsidiaries

	Company	
	2015 HK\$'000	2014 HK\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	54,509	54,509
<i>Allowance for impairment</i>		
Beginning of financial year	(4,066)	(4,049)
Allowance made	(20)	(17)
	(4,086)	(4,066)
End of financial year	50,423	50,443

An allowance of impairment of HK\$20,000 (2014: HK\$17,000) was recognised for a dormant subsidiary based on their 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.

Details of the subsidiaries are as follows:

Name of subsidiary	Country of business/ incorporation	Principal activities	Equity holding	
			2015 %	2014 %
<u>Held by the Company</u>				
Azeus Systems Limited <sup>(a)</sup>	Hong Kong	IT consulting, project management and systems implementation	100	100
Azeus Systems Manila BVI Ltd. <sup>(b)</sup>	British Virgin Islands	Investment holding	100	100
Azeus UK Limited <sup>(f)</sup>	United Kingdom	Provision of IT services	100	100
BIGontheNet Pte Ltd <sup>(b)</sup>	Singapore	Dormant	100	100
Azeus Pty Ltd <sup>(g)</sup>	Australia	Dormant	100	—
<u>Held by the subsidiaries</u>				
Azeus Systems Philippines, Inc. <sup>(c)</sup>	Philippines	Dormant	100	100
Azeus Systems Philippines Limited <sup>(e)</sup>	Philippines	Software development	100	100
Azeus Systems (Dalian) Co., Ltd <sup>(d)</sup>	People's Republic of China	Software development	100	100

(a) Audited by PricewaterhouseCoopers, Hong Kong.

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

(c) Audited by Isla Lipana & Co., the Philippines member firm of PricewaterhouseCoopers International Limited.

(d) 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. There were no significant transactions or events occurring during the period 1 January 2015 to 31 March 2015.

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

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

(g) Azeus Pty Ltd was incorporated during the year and was not required to be audited in the year of incorporation.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 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
<u>Group</u>					
<b>2015</b>					
<u>Cost</u>					
Beginning of financial year	720	1,492	286	3,023	5,521
Currency translation differences	—	—	—	(5)	(5)
Additions	305	8	36	128	477
Disposals	—	—	—	(10)	(10)
End of financial year	1,025	1,500	322	3,136	5,983
<u>Accumulated depreciation</u>					
Beginning of financial year	606	1,427	207	2,572	4,812
Currency translation differences	—	—	—	(4)	(4)
Depreciation charge (Note 5)	85	34	38	266	423
Disposals	—	—	—	(6)	(6)
End of financial year	691	1,461	245	2,828	5,225
<b>Net book value</b>					
End of financial year	334	39	77	308	758
<b>2014</b>					
<u>Cost</u>					
Beginning of financial year	787	1,532	276	2,825	5,420
Currency translation differences	(67)	(41)	(24)	7	(125)
Additions	—	1	34	191	226
End of financial year	720	1,492	286	3,023	5,521
<u>Accumulated depreciation</u>					
Beginning of financial year	595	1,418	185	2,327	4,525
Currency translation differences	(52)	(36)	(17)	5	(100)
Depreciation charge (Note 5)	63	45	39	240	387
End of financial year	606	1,427	207	2,572	4,812
<b>Net book value</b>					
End of financial year	114	65	79	451	709

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 18. Intangible assets

### Azeus Products - Computer software

	Group 2015 HK\$'000
<i>Cost</i>	
Beginning of financial year	–
Additions	6,044
End of financial year	<u>6,044</u>
<i>Accumulated amortisation</i>	
Beginning of financial year	–
Amortisation charge	840
End of financial year	<u>840</u>
Net book value	<u>5,204</u>

Amortisation expense included in the statement of comprehensive income is analysed as follows:

	Group 2015 HK\$'000
Cost of sales (Note 5)	<u>840</u>

Intangible asset relates to the development of two proprietary computer software (Azeus Convene and AzeusCare). The average remaining useful lives of the computer software is 2.5 years.

## 19. Trade and other payables

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade payables – non-related parties	1,344	778	–	–
Advances received from customers	6,730	5,028	–	–
Amount due to a subsidiary – non-trade (Note 13)	–	–	104	104
Other accruals for operating expenses	8,861	11,375	1,394	1,326
	<u>16,935</u>	<u>17,181</u>	<u>1,498</u>	<u>1,430</u>

## 20. Provision for defined retirement benefits

The Group has a non-contributory defined retirement benefits plan (the “Plan”) covering substantially 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 20. Provision for defined retirement benefits (continued)

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

	Group	
	2015	2014
	HK\$'000	HK\$'000
Present value of funded benefit obligations	14,848	10,756
Fair value of plan assets	(5,785)	(4,685)
Retirement benefit obligation	9,063	6,071

The movements in the retirement benefit obligation are as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Beginning of financial year	6,071	8,073
Currency translation differences	(27)	(678)
Charged to profit or loss (Note 6)	1,157	998
Remeasurements:		
- Losses from return on plan assets	13	446
Gains from change in demographic assumptions	—	(501)
- Losses/(gains) from change in financial assumptions	59	(4,201)
- Experience losses	2,603	2,606
Debited/(credited) to other comprehensive income	2,675	(1,650)
Contributions paid	(813)	(672)
End of financial year	9,063	6,071

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

	Group	
	2015	2014
	HK\$'000	HK\$'000
Beginning of financial year	10,756	12,742
Currency translation differences	(37)	(1,099)
Interest cost	654	538
Current service cost	813	672
Actuarial gains/(losses)	2,662	(2,097)
End of financial year	14,848	10,756

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

	Group	
	2015	2014
	HK\$'000	HK\$'000
Beginning of financial year	4,685	4,669
Currency translation differences	(10)	(422)
Interest income	310	212
Contributions paid	813	672
Actuarial losses	(13)	(446)
End of financial year	5,785	4,685

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 20. Provision for defined retirement benefits (continued)

The Group's retirement plan assets consist of:

	Group	
	2015	2014
Debt securities	79%	91%
Cash and cash equivalents	13%	1%
Others	8%	8%
	<b>100%</b>	<b>100%</b>

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

The amounts recognised in profit or loss are as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Current service cost	813	672
Interest cost	654	538
Interest income	(310)	(212)
Included in "Employee compensation" (Note 6)	<b>1,157</b>	<b>998</b>

The principal actuarial assumptions used were as follows:

	Group	
	2015	2014
Discount rate	6%	6%
Future salary increases	5%	5%
Average remaining working life in years	29.2	30.0
Average years of past service	<b>8.6</b>	<b>8.0</b>

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 March 20, 2015 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	1%	Decrease by 17.5%	Increase by 22%
Salary growth rate	1%	Increase by 21%	Decrease by 17%

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 statement of financial position.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 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	
	2015	2014
	HK\$'000	HK\$'000
<b>Deferred income tax assets:</b>		
- to be recovered within one year	(64)	(40)
- to be recovered after one year	(874)	(575)
	<b>(938)</b>	<b>(615)</b>

Movement in deferred income tax account is as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Beginning of financial year	(615)	(819)
Remeasurements of defined retirement benefits	–	165
Actuarial loss on defined retirement benefits	(265)	–
Currency translation differences	1	68
Tax credited to profit or loss (Note 9)	(59)	(29)
End of financial year	<b>(938)</b>	<b>(615)</b>

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\$17,793,290 (2014: HK\$15,506,000) 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 the company with unrecognised tax losses in its country of incorporation. The tax losses have no expiry date.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 21. Deferred income taxes (continued)

The movement in deferred income tax assets is as follows:

Group

*Deferred income tax assets*

	Retirement benefits HK\$'000	Other HK\$'000	Total HK\$'000
<b>2015</b>			
Beginning of financial year	(572)	(43)	(615)
Actuarial loss on defined retirement benefits	(265)	—	(265)
Currency translation differences	25	(24)	1
Credited to profit or loss	(59)	—	(59)
End of financial year	(871)	(67)	(938)
<b>2014</b>			
Beginning of financial year as previously reported	(769)	(50)	(819)
Remeasurements of defined retirement benefits	165	—	165
Currency translation differences	61	7	68
Credited to profit or loss	(29)	—	(29)
End of financial year	(572)	(43)	(615)

## 22. Share capital

	Issued share capital	
	No. of ordinary shares '000	HK\$'000
<u>Group and Company</u>		
<b>2015 and 2014</b>		
Beginning and end of financial year	300,000	46,800

All issued ordinary shares are fully paid. The par value is US\$0.02 per share.

## 23. Other reserves

	Group	
	2015 HK\$'000	2014 HK\$'000
Employee share-based payment reserve	1,328	1,328

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 24. Retained profits

Movement in retained profits for the Company is as follows:

	Company	
	2015 HK\$'000	2014 HK\$'000
Beginning of financial year	20,363	29,534
Net profit	2,596	21,969
Dividends paid (Note 25)	(18,630)	(31,140)
End of financial year	4,329	20,363

## 25. Dividends

	Group and Company	
	2015 HK\$'000	2014 HK\$'000
<i>Ordinary dividends paid</i>		
Final dividend paid in respect of the previous financial year of HK6.21 cents (2014: HK10.38 cents) per share (Note 24)	18,630	31,140

At the Annual General Meeting on 9 July 2015, a final dividend of HK1.23 cents per share amounting to a total of HK\$3,690,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings for the financial year ending 31 March 2016.

## 26. Commitments

### *Operating lease commitments*

The Group leases office premises from non-related parties under non-cancellable operating lease agreements. The leases have varying terms 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	
	2015 HK\$'000	2014 HK\$'000
Not later than one year	5,351	5,095
Between one and five years	4,865	9,741
	10,216	14,836

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 27. Financial risk management

### *Financial risk factors*

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise 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 Asia and Europe with dominant operations in Hong Kong, the People's Republic of China, the Philippines and the United Kingdom. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the Hong Kong Dollar ("HKD"), Chinese Yuan or Renminbi ("RMB"), Philippine Peso ("PESO") and Great Britain Pound ("GBP").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies. The Group is exposed to currency risk on sales and purchases that are denominated primarily in United States Dollar ("USD"). In addition, the Group is exposed to currency translation risk on the net assets 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 27. 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	RMB HK\$'000	PESO HK\$'000	AUD HK\$'000	GBP HK\$'000	Total HK\$'000
<b>2015</b>								
<b>Financial assets</b>								
Cash and cash equivalents	47,112	2,226	1,537	1,644	3,184	154	7,535	63,392
Unbilled revenue on service contracts	32,992	206	–	–	–	–	–	33,198
Trade and other receivables excluding prepayments	11,279	626	–	40	2,185	326	2,547	17,003
Receivables from subsidiaries	58,857	2,106	227	–	1,487	–	18,640	81,317
	150,240	5,164	1,764	1,684	6,856	480	28,722	194,910
<b>Financial liabilities</b>								
Other financial liabilities	(7,168)	–	(1,169)	(47)	(1,071)	(30)	(720)	(10,205)
Payables to subsidiaries	(58,857)	(2,106)	(227)	–	(1,487)	–	(18,640)	(81,317)
	(66,025)	(2,106)	(1,396)	(47)	(2,558)	(30)	(19,360)	(91,522)
<b>Net financial assets</b>	84,215	3,058	368	1,637	4,298	450	9,362	103,388
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(83,411)	–	227	(1,637)	(2,886)	–	9,374	(78,333)
<b>Currency exposure on financial assets denominated in the respective entities' functional currencies</b>	804	3,058	595	–	1,412	450	18,736	25,055

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 27. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) *Currency risk* (continued)

	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	RMB HK\$'000	PESO HK\$'000	AUD HK\$'000	GBP HK\$'000	Total HK\$'000
<b>2014</b>								
<b>Financial assets</b>								
Cash and cash equivalents	87,887	1,485	492	376	1,720	44	716	92,720
Unbilled revenue on service contracts	34,892	75	–	–	–	–	1,942	36,909
Trade and other receivables excluding prepayments	2,183	2,071	–	40	2,157	–	1,575	8,026
Receivables from subsidiaries	73,833	–	227	–	–	–	–	74,060
	198,795	3,631	719	416	3,877	44	4,233	211,715
<b>Financial liabilities</b>								
Other financial Liabilities	(9,435)	–	(1,100)	(10)	(869)	–	(739)	(12,153)
Payables to subsidiaries	(104)	–	–	–	–	–	–	(104)
	(9,539)	–	(1,100)	(10)	(869)	–	(739)	(12,257)
<b>Net financial assets/(liabilities)</b>	189,256	3,631	(381)	406	3,008	44	3,494	199,458
Less: Net financial assets denominated in the respective entities' functional currencies	(189,256)	–	(1)	(406)	(3,008)	–	(3,365)	(196,036)
<b>Currency exposure on financial assets/(liabilities) net of those denominated in the respective entities' functional currencies</b>	–	3,631	(382)	–	–	44	129	3,422

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 27. 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	Total HK\$'000
<b>2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	14	39	1,423	115	1,591
Trade and other receivables excluding prepayments	57,073	–	–	–	57,073
	57,087	39	1,423	115	58,664
<b>Financial liabilities</b>					
Other financial liabilities	(329)	–	(1,169)	–	(1,498)
	(329)	–	(1,169)	–	(1,498)
<b>Net financial assets</b>	56,758	39	254	115	57,166
Less: Net financial assets denominated in the Company's functional currency	(56,758)	–	–	–	(56,758)
<b>Currency exposure on financial assets net of those denominated in the Company's functional currency</b>	–	39	254	115	408
	HKD HK\$'000	USD HK\$'000	SGD HK\$'000	GBP HK\$'000	Total HK\$'000
<b>2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	14	40	367	–	421
Trade and other receivables excluding prepayments	73,833	–	227	129	74,189
	73,847	40	594	129	74,610
<b>Financial liabilities</b>					
Other financial liabilities	(330)	–	(1,100)	–	(1,430)
	(330)	–	(1,100)	–	(1,430)
<b>Net financial assets/(liabilities)</b>	73,517	40	(506)	129	73,180
Less: Net financial assets denominated in the Company's functional currency	(73,517)	–	–	–	(73,517)
<b>Currency exposure on financial assets/(liabilities) net of those denominated in the Company's functional currency</b>	–	40	(506)	129	(337)



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 27. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) *Currency risk (continued)*

As at 31 March 2015 and 2014, the net financial assets/(liabilities) denominated in a currency other than the respective functional currencies of the Group entities are mainly in USD. Since HKD and USD are pegged, no significant change in the net financial assets/(liabilities) position is expected from any changes on the exchange rate between the HKD and USD. Hence, the Group's and Company's currency exposure is insignificant and no foreign currency sensitivity analysis is performed accordingly.

#### (ii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to the Group's cash and cash equivalents placed with banks and financial institutions in Hong Kong and Singapore.

Most of the interest bearing cash and cash equivalents placed with the banks are short-term in nature (Note 11). Variation in short-term interest rate is not expected to have a material impact on the results of the Group.

The sensitivity analysis below have been determined based on the exposure to interest rates for cash and cash equivalents placed with banks and financial institutions in Hong Kong at the balance sheet date. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower with all other variables held constant, the Group's profit for the year ended 31 March 2015 would increase/decrease by approximately HK\$21,000 (2014: increase/decrease by approximately HK\$155,000). No analysis is prepared at the Company level as the sensitivity is immaterial.

### (b) Credit risk

Credit risk refers to the risk that a 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. The Group adopts the policy of only dealing with creditworthy counterparties to mitigate the risk of financial losses from default.

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 5 debtors (2014: 2 debtors) with Hong Kong's government sector collectively represented 74% (2014: 65%) of trade receivables.

As at year-end, the Group does 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 27. Financial risk management (continued)

### (b) Credit risk (continued)

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

	Group	
	2015 HK\$'000	2014 HK\$'000
<u>By geographical areas</u>		
Hong Kong	8,505	2,093
United Kingdom	2,484	1,398
Other countries	881	—
	<b>11,870</b>	<b>3,491</b>
<u>By types of customers</u>		
Non-related parties		
- Public sector	9,839	2,833
- Other companies	2,031	658
	<b>11,870</b>	<b>3,491</b>

#### (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.

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	
	2015 HK\$'000	2014 HK\$'000
Past due < 3 months	<b>11,870</b>	<b>3,491</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 27. Financial risk management (continued)

### (b) Credit risk (continued)

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

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

	Group	
	2015 HK\$'000	2014 HK\$'000
Past due from 0 to 3 months	321	–
Past due over 3 months	1,670	738
	1,991	738
Less: Allowance for impairment	(1,991)	(738)
	–	–
Beginning of financial year	(738)	(231)
Allowance made	(1,253)	(507)
End of financial year	(1,991)	(738)

### (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 2015 and 2014, 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 optional capital structure, the Group may issue new shares, obtain new borrowings or sell assets to reduce borrowings.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 27. Financial risk management (continued)

### (e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 11, Note 12 and Note 18, except for the following:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Loans and receivables	133,593	137,655	58,664	74,610
Financial liabilities at amortised cost	10,205	12,153	1,498	1,430

## 28. Immediate and ultimate holding corporation

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

## 29. 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	
	2015 HK\$'000	2014 HK\$'000
Professional fees paid to director of a subsidiary	110	—

### (b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Salaries and other short-term employee benefits	3,234	3,458
Employer's contribution to:		
- defined contribution plans	17	15
- defined retirement benefits	306	318
	3,557	3,791

Included in the above is total compensation to directors of the Company amounting to HK\$1,293,000 (2014: HK\$1,284,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 30. 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 Sales 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 Sales"). There are 3 major revenue streams under Professional IT Services: "IT Services, including sales of project hardware and software", "Maintenance and Support Services" and "Business Process Outsourcing" as the services are similar in nature.

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

	Professional IT Services		Azeus Products Sales		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	117,040	168,968	7,940	1,027	124,980	169,995
Segment results	38,531	53,710	213	(2,993)	38,744	50,717
Provision for impairment of trade receivables	(1,253)	(507)	—	—	(1,253)	(507)
Provision for doubtful debts on unbilled revenue on service contracts	(571)	—	—	—	(571)	—
<b>Unallocated income / (expenses)</b>						
Other income	—	—	—	—	227	250
Other (losses) / gains - net	—	—	—	—	(2,269)	714
Depreciation of property, plant and equipment	—	—	—	—	(423)	(387)
Legal and professional fee	—	—	—	—	(2,301)	(2,078)
Rental expense – operating lease	—	—	—	—	(6,020)	(5,153)
Retirement benefit expense	—	—	—	—	(1,157)	(998)
Fees on audit services	—	—	—	—	(1,439)	(1,339)
Administrative salaries	—	—	—	—	(5,221)	(6,672)
Insurance	—	—	—	—	(1,661)	(1,485)
Directors compensation	—	—	—	—	(1,421)	(1,430)
Others expense	—	—	—	—	(8,238)	(7,536)
Profit before tax					6,997	24,096
Income tax expense	—	—	—	—	(3,307)	(5,470)
Profit attributable to equity holders of the Company					3,690	18,626
<b>Assets and liabilities</b>						
Segment assets	49,853	40,743	6,227	8	56,080	40,751
Unallocated assets	—	—	—	—	74,848	103,451
Total assets					130,928	144,202
Segment liabilities	6,730	5,028	—	—	6,730	5,028
Unallocated liabilities	—	—	—	—	19,496	18,284
Total liabilities					26,226	23,312

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 30. Segmental information (continued)

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

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 trades receivable, 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 Sales. Breakdown of the revenue is as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Professional IT Services	117,040	168,968
Azeus Products Sales	7,940	1,027
<b>Total</b>	<b>124,980</b>	<b>169,995</b>

### (b) Geographical Information

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

	Sales for continuing operations	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	114,256	164,261
United Kingdom	9,116	5,140
Others	1,608	594
<b>Total</b>	<b>124,980</b>	<b>169,995</b>

	Non-current assets	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	261	430
United Kingdom	64	44
Philippines	1,740	1,196
Bermuda	5,204	–
<b>Total</b>	<b>7,269</b>	<b>1,670</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2015

## 31. Subsequent events

In FY2011, there were disputes with a customer due to different interpretation of the requirements within the contract. These disputes were subsequently brought to the arbitration in FY2012, as agreed with the customer and an award of HK\$40.9 million was received in FY2013.

Subsequently, the proceeding regarding the legal costs associated with the above arbitration case was also settled in favour of the Group on 15 April 2015. A settlement was made between the Group and the customer with a payment of HK\$8.75 million received subsequently after financial year end. This amount will be recognised as other income in the next financial year.

## 32. New or revised accounting standards and interpretations

The Group has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning on or after 1 April 2015. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of the Group in the period of their initial adoption.

## 33. 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 15 June 2015.



# STATISTICS OF SHAREHOLDINGS

As at 8 June 2015

AUTHORISED NUMBER OF SHARES	:	400 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	:	300 MILLION SHARES
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	0.38	3	0.00
100 - 1,000	50	9.58	49,000	0.01
1,001 - 10,000	224	42.91	1,310,900	0.44
10,001 - 1,000,000	232	44.45	27,238,571	9.08
1,000,001 AND ABOVE	14	2.68	271,401,526	90.47
TOTAL	522	100.00	300,000,000	100.00

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MU XIA LTD	153,000,000	51.00
2	LEE WAN LIK	80,321,326	26.77
3	LAM PUI WAN	14,000,000	4.67
4	KHOO TEIK LIANG	5,590,000	1.86
5	UOB KAY HIAN PRIVATE LIMITED	3,456,000	1.15
6	ESTATE OF ONG KIM KIAT, DECEASED	3,190,000	1.06
7	ESTATE OF LIM CHEE NEO LUCY @CAROL LIM, DECEASED	3,000,000	1.00
8	LIM & TAN SECURITIES PTE LTD	1,625,000	0.54
9	LIEW KUO HUEI	1,504,200	0.50
10	CHOOI SIEW THIM	1,251,000	0.42
11	NOMURA SINGAPORE LIMITED	1,245,000	0.42
12	LIM GUAN TECK	1,100,000	0.37
13	TAN JUI YAK	1,082,000	0.36
14	THAM WAI FONG	1,037,000	0.35
15	LAI WENG KAY	1,000,000	0.33
16	OCBC SECURITIES PRIVATE LIMITED	874,000	0.29
17	LIM GUAN CHIANG ALBERT	850,000	0.28
18	TAO WING HONG	789,751	0.26
19	SUE YAP SOH MOOI	714,000	0.24
20	HE JIANZHONG	708,000	0.24
	TOTAL	276,337,277	92.11

# STATISTICS OF SHAREHOLDINGS

As at 8 June 2015

## 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	80,321,326	26.77	153,000,000	51.00
Ms Lam Pui Wan	14,000,000	4.67	153,000,000	51.00
Mu Xia Ltd.	153,000,000	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 153,000,000 shares held by Mu Xia Ltd.

## PUBLIC FLOAT

Based on the information available to the Company as at 8 June 2015, 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 the Company will be held on Thursday, 9 July 2015 at 10 a.m. at Private Dining Room 1, Equinox Complex, Swissotel The Stamford, 2 Stamford Road, Singapore 178882, 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 2015, together with the Directors' Report and the Auditor's Report thereon.
2. To declare a First & Final dividend of 1.23 HK cents per ordinary share for the financial year ended 31 March 2015. [2014: 6.21 HK cents]
3. To approve the payment of Directors' Fees of S\$78,000 for the financial year ended 31 March 2015. [2014: S\$75,000]
4. To re-elect Mr Lee Wan Lik, a Director who retires pursuant to Article 104 of the Company's Bye-Laws.  
[See Explanatory Note (i)]
5. To re-elect Ms Lam Pui Wan, a Director who retires pursuant to Article 104 of the Company's Bye-Laws.  
[See Explanatory Note (ii)]
6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors and to authorize the Directors to fix their remuneration.

## As Special Business

To consider and if deemed fit to pass the following Ordinary Resolution:-

### 7. Share Issue Mandate

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) 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) 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) at the time this resolution is passed, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;

# NOTICE OF ANNUAL GENERAL MEETING

- (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 (iii)]**

## 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) of the Company from time to time. **[See Explanatory Note (iv)]**

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

By Order of the Board

Yap Wai Ming  
Busarakham Kohsikaporn  
Joint Company Secretaries  
Singapore, 24 June 2015

### Explanatory Notes

- (i) **Resolution 4**, Mr Lee Wan Lik, if re-elected, will remain as Managing Director and a Member of the Nominating Committee.
- (ii) **Resolution 5**, Ms Lam Pui Wan, if re-elected, will remain as Executive Director.
- (iii) **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), 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.
- (iv) **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) of the Company from time to time.

# NOTICE OF ANNUAL GENERAL MEETING

## 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