

NEWS RELEASE

AZEUS' REVENUE UP 71%, NET PROFIT INCREASES 410% IN 1HFY2006

At a glance:

	1HFY2006 (HK\$ mil)	1HFY2005 (HK\$ mil)	Change (%)
Sales	37.3	21.8	71
Gross profit	18.4	7.7	140
Profit before tax	8.2	1.7	391
Net profit	6.8	1.3	410
Earnings per share (basic & diluted) (HK\$)	0.023	0.006	283

Singapore, October 26, 2005 – Azeus Systems Holdings Ltd. (“Azeus”), a provider of IT consultancy services based in Hong Kong, today reported a good set of financials for the six months ended September 30, 2005 (“1HFY2006”). Its net profit rose 410% on the back of a 71% increase in sales in 1HFY2006.

The Group’s 71% top line growth to HK\$37.3 million, from HK\$21.8 million in the previous corresponding period, was attributed to the revenue increase from its three main business segments of IT Services, Maintenance and Support Services, and Business Process Outsourcing (“BPO”).

Mr Lee Wan Lik, Founder and Managing Director of Azeus, said: “I am pleased with Azeus’ performance in the six-month period under review. Our three core business activities have all turned in higher revenue in 1HFY2006 compared to the last corresponding period. Going forward, with our reinforced resources driving our plans to further develop our business, we are on track for growth.”

Financial Review

The major revenue contributor was the Group's IT Services segment, which accounted for 79% of total revenue in 1HFY2006. This segment registered revenue of HK\$29.7 million in 1HFY2006, an increase of 103% from HK\$14.6 million in the last corresponding period.

Fees from the Group's Maintenance and Support Services segment rose 6% to HK\$5.0 million in 1HFY2006 because of the increase in renewed fees of existing maintenance and support services contracts and a slight increase in the number of contracts to 25 in FY2006 from 24 in FY2005.

Fees from the Group's BPO segment climbed 9% to HK\$2.6 million in 1HFY2006, due to the higher headcount that was outsourced to the Intellectual Property Department of Hong Kong.

The Group's cost of sales increased 34% to HK\$18.9 million in 1HFY2006 as a result of its active recruitment drive to fulfill its higher sales. "We have enlarged our pool of IT professionals as part of our strategy to strengthen our foothold in the Hong Kong public sector and penetrate new markets. In addition, the utilisation rates of our IT professionals increased to 85% in 1HFY2006, from 77% in the last corresponding period," said Mr Lee.

Gross profit margin rose to 49% in 1HFY2006 from 35% in the last corresponding period, despite purchases of additional hardware and software from third party vendors as part of Azeus' IT Services for its customers.

The Group has recorded an increase in unbilled revenue on service contracts. As these contracts are still in the implementation stage, the milestone payment for these contracts has not been reached.

Overall, the Group has a strong cash position of HK\$57.2 million as at September 30, 2005, compared to HK\$16.9 million as at the end of the last corresponding period.

Positive Outlook for FY2006

Moving ahead, the Group continues to bid for a number of contracts in Hong Kong and Singapore and is confident of securing the projects based on its strong track record and CMMI-SW Level 5 (highest) accreditation.

“The Hong Kong government is projected to spend HK\$3.65 billion on IT initiatives in FY2005/2006. We believe that we are well-positioned to boost our market share of IT expenditure by the government.

“Besides Hong Kong and Singapore, we also target to expand our geographical coverage into new markets that present exciting growth opportunities. We have been exploring suitable acquisitions in the region. We are also strengthening our resources in Dalian, China, to cater to Japanese customers in the area of software development outsourcing. IDC forecasts that the outsourcing industry in China is set to reach US\$4.7 billion by 2009. It is reported that there has been a growing demand by Japanese firms looking to China for lower-cost programmers and software engineers,” concluded Mr Lee.

The Group is confident that the outlook for the IT industry in Asia Pacific remains positive. Barring any unforeseen circumstances, Azeus is cautiously optimistic of its prospects for the current financial year.

About Azeus Systems Holdings Ltd.

Established in 1991, Azeus is a leading provider of IT consultancy services. Headquartered in Hong Kong, Azeus has established offshore software development centres in the Philippines and China. The Group acquired BIGontheNet, an award-winning provider of eBusiness software solutions based in Singapore, in February 2005.

Besides designing as well as implementing a wide range of IT software and systems to fulfil the outsourcing needs of customers, Azeus also provides maintenance and support services. The Group has won the first and thus far, only business outsourcing project from the Hong Kong government, covering IT consulting, IT maintenance and support, as well as office operations and support services.

Azeus is appraised at the highest level of the CMMI-SW model, endorsing its commitment to delivering high quality work. Its emphasis on consistently high quality solutions has enabled the Group to build a solid track record of over 100 projects for more than 40 government departments and over 15 projects for the commercial sector in Hong Kong.

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157/05/003/ASHL

October 26, 2005