

## **NEWS RELEASE**

### **AZEUS REPORTS 11% GROWTH IN REVENUE TO HK\$41.3 MILLION FOR 1HFY2007**

- **Net Profit down 47% to HK\$3.6 million mainly due to higher third party hardware cost and direct salaries which drove up cost of sales by 43%**
- **Strengthens foothold in public sector :**
  - **Secures five-year, US\$10 million BPO outsourcing contract and secures four contracts worth US\$2.6 million from Hong Kong government**
- **Aims to expand into private sector**

*Singapore, November 7, 2006* – Azeus Systems Holdings Ltd. (“Azeus”), a provider of IT consultancy services based in Hong Kong, today reported its results for the six months ended September 30, 2006 (“1HFY2007”). Group revenue rose 11% to HK\$41.3 million in 1HFY2007 on the back of revenue gains from the Group’s three main business segments - IT services, Maintenance and Support Services as well as Business Process Outsourcing (“BPO”).

Net profit was down 47% to HK\$3.6 million in 1HFY2007 as compared to HK\$6.8 million in 1HFY2006, mainly due to higher third party hardware costs and direct salaries costs.

Mr Lee Wan Lik, Founder and Managing Director of Azeus, said: “The market for IT services in Hong Kong remains competitive, and we have faced a stiff challenge from other IT service providers in the region. Notwithstanding this, we are encouraged by the fact that our three core business activities have all turned in higher revenue in 1HFY2007 compared to the last corresponding period.

“We have also worked to strengthen our capabilities through the active recruitment of skilled IT professionals. In the near term, this has resulted in higher expenditure on salaries. However, we view this investment in our people positively, and it is part of our strategy to further strengthen our capabilities in order to increase our share of the IT services market in the Hong Kong public sector, pursue opportunities in the commercial sector and penetrate new overseas markets.”

## **Financial Review**

The major revenue contributor was the Group’s IT Services segment, which accounted for 79% of total revenue in 1HFY2007, a similar contribution as in the last corresponding period. Fees from IT services increased 10% to HK\$32.8 million in 1HFY2007 because of an increase in the sale of hardware items to HK\$7.5 million in 1HFY2007 as compared to HK\$3.1 million in the last corresponding period.

Fees from the Group’s Maintenance and Support Services segment rose 14% to HK\$5.7 million in 1HFY2007 because of the increase in the number of contracts from 25 in FY2006 to 27 in FY2007. Additionally, the chargeable fees component of renewed maintenance and support services contracts was much higher than in the last corresponding period, resulting in a greater contribution to overall income.

Fees from the Group’s BPO segment climbed 9% to HK\$2.9 million in 1HFY2007, due to an increase in chargeable hourly rates and a higher headcount that was outsourced to the Intellectual Property Department of Hong Kong.

The Group’s cost of sales rose by 43% to HK\$27.2 million in 1HFY2007, largely due to higher third party hardware cost and higher direct salaries cost.

Gross profit margin fell to 34% in 1HFY2007 from 49% in the last corresponding period, due mainly to an increase in the sale of hardware materials. The Group enjoys a lower gross profit margin on these sales as compared to the provision of IT services. Excluding hardware sales, the Group experienced a marginal 4% decrease in overall IT service margin to 43% from 47%.

## **Outlook for FY2007**

Moving ahead, the Group will remain focused on sustaining its market share in the Hong Kong public sector while making significant efforts to diversify its risks by expanding into new markets and pursuing regional investment opportunities.

“We have further strengthened our foothold in the public sector with the award of our five-year, US\$10 million BPO contract with the IPD, and four separate contracts totaling US\$2.6 million secured with various departments of the Hong Kong government. Going forward, whilst we remain focused on sustaining our market share in the Hong Kong public sector, we aim to expand our revenue sources by expanding our IT services business into the private sector,” concluded Mr Lee.

These contracts are not expected to have a material impact on the Group’s financial performance for the year ending March 31, 2007.

The Group has also been enhancing its capabilities by actively increasing manpower resources. While this will impact its profit margin in FY2007, the Group believes that additional resources will place them in a stronger position to capitalize on new business opportunities in the coming years. In line with the Group’s strategy to invest in human resources, and taking into account highly competitive market conditions, the Group expects profit for FY2007 to be lower than FY2006.

## **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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