

Listed Companies Announcement

Azeus Systems Holdings Ltd.

Profit Guidance for FY2005

The Board of Directors of Azeus Systems Holdings Ltd. (“Azeus” or the “Company”) wishes to provide guidance of the Company’s results for the financial year ending 31 March 2005 (“FY2005”).

In light of a preliminary assessment of the Company’s financial results for FY2005 made at the current time, the Directors would like to advise that revenue and net profit after tax for the second half of FY2005 is expected to be better than the first half of FY2005. However, the Directors expect revenue and net profit after tax for FY2005 to be lower than the previous financial year ended 31 March 2004 (“FY2004”).

The weaker than expected performance in FY2005 can be attributed to the following factors:

1. Timing for revenue recognition

Given the nature of our IT consultancy business, we recognise revenue from IT projects on a percentage of completion basis.

As many of the contracts secured in FY2005 are still at a preliminary phase, there will be a shorter period for the Group to recognize revenue from these projects. This compares to the projects that were being implemented in FY2004, which were at an intermediate phase and thus had a longer duration for revenue recognition.

In view of the differences in project completion stage in each financial period, the Group expects revenue for FY2005 to be lower than FY2004.

2. An increase in employee costs

To increase our share of the IT services market in the Hong Kong Government public sector, pursue opportunities in the commercial sector,

and penetrate new overseas markets, the Company has embarked on a strategy to further strengthen its capabilities by actively increasing its human resources. Since April 2004, the Company has increased its IT professional staff strength by more than 43%. In addition, Azeus has appointed a new Executive Vice President to lead and build the Company's business in the private commercial market in the region, which is experiencing increasing demand for IT services.

As employee costs is the largest cost component in an IT consultancy services company, this had an impact on the Company's profit margins in FY2005. In line with the expected decline in revenue and higher employee costs, the net profit after tax for FY2005 is expected to be lower than FY2004.

However, the Directors believe that the impact of its increased staff level is temporary as the Company is currently at the stage of enhancing its capabilities to take advantage of better prospects in FY2006.

3. Substantial contract under negotiation

The Company is presently at the final stage of price negotiations for a major project in Hong Kong that we bid for earlier this year. If secured, this project will be our largest contract to-date and will contribute positively to the Company's performance in FY2006.

Although at the final phase of negotiations, there is no commitment from the customer at this point of time that the contract is being awarded to the Company.

4. Prospects for FY2006

- (i) Barring unforeseen circumstances, the Company expects a better year-on-year performance in FY2006, as the financial impact from the new contracts secured in FY2005 should be more significant with a longer revenue recognition period.
- (ii) In addition to the above-mentioned major project, we are also bidding for other contracts of substantial value. Based on our strong

track record and SW-CMMI Level 5 accreditation, the Company is optimistic of securing these contracts. If secured, these contracts will have a positive incremental impact on our performance in FY2006.

- (iii) The Board of Directors believes that the IT industry's outlook remains healthy. The Company has an established business model and its strategy to strengthen its capabilities in FY2005 should put us in a stronger position to capitalise on the IT outsourcing opportunities in the region.

December 24, 2004