



An SEI-CMMI Level 5 Company

AZEUS SYSTEMS HOLDINGS LTD.

Response to SGX-ST Queries on Full Year Financial Statement And Dividend Announcement for the year ended 31 March 2006

Azeus Systems Holdings Ltd. (the "Company") refers to the Singapore Exchange Securities Trading Limited's query dated 2 June 2006. Unless otherwise defined in this announcement, capitalised terms shall bear the same meanings given to them in the Company's announcement dated 30 May 2006.

The Company's response is as follows:

Query 1: *"We note that Unbilled revenue on service contracts increased by 126% to HK\$55.6m because the milestones payments for two new contracts have not been reached. Please clarify whether this is in line with the Accounting Standards for revenue recognition and to advise the period where such revenue will be billed."*

Response: According to our Group's accounting policy, contract revenue for the provision of IT services is recognised by using the stage of completion method. The stage of completion is measured with reference to the percentage of actual time costs incurred to date to estimated total time costs. Contract costs are recognised when incurred. 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.

Hence as at 31 March 2006, the unbilled revenue of HK\$55.6 million represented the aggregate costs and the profit recognised up to 31 March 2006 of fourteen on-going contracts less their relevant progress billings.

This accounting standard has been applied consistently and is the same standard as that which was applied in the most recent audited annual financial statements.

BY ORDER OF THE BOARD
LEE WAN LIK
MANAGING DIRECTOR
2 June, 2006