



NEWS RELEASE

AZEUS 1H FY2016 NET PROFIT UP 60% TO HK\$3.7 MILLION (equivalent to US\$0.5 MILLION)

- ***Reported 24.7% decrease in revenue to HK\$45.6 million (equivalent to US\$5.8 million) largely due to fewer contracts secured and implemented by its Professional IT Services segment in this period***
- ***Bottom line bolstered by one-off arbitration legal fee compensation income of HK\$8.8 million (equivalent to US\$1.1 million)***
- ***Core business fundamentals remain sound; focused on building up new business and international expansion for Azeus Product Business***

Singapore, November 12, 2015 – Azeus Systems Holdings Ltd. (“Azeus” or the “Group”), a provider of IT consultancy services based in Hong Kong, today announced its interim financial results for the six months ended September 30, 2015 (“1H FY2016”).

Azeus reported a 60.0% increase in profit attributable to equity holders (“net profit”) to HK\$3.7 million in 1H FY2016, compared to HK\$2.3 million in the previous corresponding financial period (“1H FY2015”), which was due mainly to a one-off legal fee compensation of HK\$8.8 million received by the Group in 1H FY2016.

Group revenue in 1H FY2016 was HK\$45.6 million, 24.7% lower when compared to HK\$60.6 million in 1H FY2015, largely due to a lower revenue from Professional IT Services as a result of fewer contracts secured and implemented in the review period.

In line with the lower revenue and decrease in direct staff salaries, cost of sales decreased to HK\$32.1 million in 1H FY2016, from HK\$41.7 million a year ago.

Selling and marketing expenses increased by 87.0% to HK\$5.4 million in 1H FY2016, from HK\$2.9 million a year ago, as the Group stepped up sales and marketing activities for its proprietary products. The Group expanded its global sales team and increased its sales and marketing efforts for lead generation. Administrative and other operating expenses decreased by 3.7% to HK\$12.5 million in 1H FY2016, largely due to lower administrative staff salaries.

As at September 30, 2015, the Group maintains a healthy balance sheet, with a cash position of HK\$44.9 million.

Review of Business Segments

The Group's Professional IT Services contributed 93.3% to its overall revenue, with Azeus Product Sales making up the balance 6.7% in 1H FY2016.

Under the Professional IT Services segment, revenue from maintenance and support services overtook IT Services as the largest revenue contributor in 1H FY2016. For the review period, maintenance and support services contributed HK\$32.2 million or 70.6% of total revenue. The shift in revenue contribution corresponded with the increasing number of projects from previous years which have begun their maintenance phase in 1H FY2016. IT Services, which accounted for HK\$10.4 million or 22.7% of the Group's total revenue for 1H FY2016, saw a 61.1% decline from HK\$26.7 million a year ago, largely due to fewer contracts secured and implemented.

The Group's contract for Business Process Outsourcing ("BPO") ended on November 30, 2014 and was not renewed. There was therefore no revenue contribution from BPO to the Professional IT Services segment in 1H FY2016.

Meanwhile, the Group's Azeus Product Sales segment saw a marginal decrease in revenue, from HK\$3.3 million in 1H FY2015 to HK\$3.1 million in 1H FY2016.

Outlook

The Group expects IT market conditions in Hong Kong to remain challenging in view of a decrease in the number of open tenders, uncertain macroeconomic developments and existing government regulations. Excluding the one-off legal fee compensation income of HK\$8.8 million, the Group therefore expects its profit for FY2016 to be lower year-on-year with fewer contracts secured compared to the preceding year.

Notwithstanding current market challenges, the Group's core business fundamentals remain sound, and will ensure that Azeus continues to deliver and maintain high value complex IT systems for existing customers.

Mr. Lee Wan Lik, Managing Director of Azeus, commented, "We look toward expanding our revenue streams by investing in the continuous enhancement of our proprietary products and sales and marketing efforts globally. Using our core business fundamentals as a sound foundation, we aim to expand our customer base for our Azeus Product business. We will continue to build our capacity and invest more in this segment. We believe this is a higher margin business and is a worthwhile investment."

About Azeus Systems Holdings Ltd.

Established in 1991, Azeus is a leading provider of IT consultancy services. Headquartered in Hong Kong, Azeus has presence in the United Kingdom, the Philippines and China. 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 processes 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 many government departments and over 15 projects for the commercial sector in Hong Kong. In recent years, the Group has also expanded its operations into the UK, and established a growing track record of public sector projects for UK government bodies.

Azeus was listed on the main board of SGX-ST in October 2004.

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