

ARMARDA GROUP LIMITED**First Quarter Financial Statement And Dividend Announcement**

Financial statements on combined results of the Group for the first quarter of FY2007 ended 31 March 2007. These figures have not been audited.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

**ARMARDA GROUP LIMITED
GROUP INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2007
(Expressed in Hong Kong thousand dollars)**

	First Qtr. FY2007	First Qtr. FY2006
Revenue from provision of services	7,835	9,125
Other income	335	308
Staff costs	(2,395)	(4,345)
Depreciation	(956)	(922)
Other operating expenses	(3,525)	(2,976)
Finance costs	(10)	(9)
Share of profits of associates	285	0
	<hr/>	<hr/>
Profit before taxation	1,569	1,181
Income tax	(108)	(89)
	<hr/>	<hr/>
Profit after taxation for the first quarter	1,461	1,092

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

ARMARDA GROUP LIMITED
BALANCE SHEET
AS AT 31 MARCH 2007
(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	As at 31.03.07	As at 31.12.06	As at 31.03.07	As at 31.12.06
Non-current assets				
Investment in subsidiaries	0	0	45,446	45,446
Interest in associates	21,241	20,956	0	0
Property, plant and equipment	14,933	15,209	0	0
Amount due from a subsidiary	0	0	74,644	74,554
Other assets	763	790	0	0
	<u>36,937</u>	<u>36,955</u>	<u>120,090</u>	<u>120,000</u>
Current assets				
Trade and other receivables	48,338	56,193	109	109
Cash and cash equivalents	95,630	89,505	4	4
	<u>143,968</u>	<u>145,698</u>	<u>113</u>	<u>113</u>
Current liabilities				
Trade and other payables	(6,127)	(9,242)	(643)	(828)
Obligations under finance lease	(83)	(83)	0	0
Taxation payable	(857)	(930)	0	0
	<u>(7,067)</u>	<u>(10,255)</u>	<u>(643)</u>	<u>(828)</u>
Net current assets / (liabilities)	<u>136,901</u>	<u>135,443</u>	<u>(530)</u>	<u>(715)</u>
Non-current liability				
Obligations under finance lease	(112)	(133)	0	0
Deferred tax liabilities	(2,288)	(2,288)	0	0
	<u>(2,400)</u>	<u>(2,421)</u>	<u>0</u>	<u>0</u>
Net assets	<u><u>171,438</u></u>	<u><u>169,977</u></u>	<u><u>119,560</u></u>	<u><u>119,285</u></u>

Representing:

Capital and reserves

Share capital	68,886	68,886	68,886	68,886
Reserves	101,091	101,091	50,399	50,399
Net profit for the first quarter	1,461	-	275	-
	<u>171,438</u>	<u>169,977</u>	<u>119,560</u>	<u>119,285</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

<u>As at 31 March 2007</u>		<u>As at 31 December 2006</u>	
In HK\$'000		In HK\$'000	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
HK\$ 83	HK\$ 0	HK\$ 83	HK\$ 0

Amount repayable after one year

<u>As at 31 March 2007</u>		<u>As at 31 December 2006</u>	
In HK\$'000		In HK\$'000	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
HK\$ 112	HK\$ 0	HK\$ 133	HK\$ 0

Details of any collateral

The above bank and hire purchase loans were secured by the Group's motor vehicles.

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

ARMARDA GROUP LIMITED
GROUP CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2007
(Expressed in Hong Kong thousand dollars)

	First Qtr. FY2007	First Qtr. FY2006
Operating activities		
Profit before taxation	1,569	1,181
Adjustment for:		
Interest income	(335)	(308)
Share of profits of associates	(285)	0
Depreciation	956	922
Finance costs	10	9
Operating profit before changes in working capital	1,915	1,804
Decrease in trade and other receivables	7,855	1,084
(Decrease) in trade and other payables	(3,115)	(2,587)
Cash generated from operations	6,655	301
Interest received	335	308
Interest paid	(10)	(9)
Income taxes paid	(181)	0
Net cash inflow from operating activities	6,799	600
Investing activities		
Addition of property, plant and equipment	(653)	(368)
Net cash (outflow) from Investing activities	(653)	(368)
Financing activities		
(Decrease) in secured bank loans	0	(13)
(Decrease) in obligations under finance lease	(21)	(24)
Net cash (outflow) from financing activities	(21)	(37)
Net increase in cash and cash equivalents	6,125	195
Cash and cash equivalents at beginning of the quarter	89,505	80,270
Cash and cash equivalents at end of this quarter	95,630	80,465
An analysis of cash and cash equivalents in as follows:		
Cash at bank and in hand	95,630	80,465

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

<i>The Group</i>	Share Capital	Share Premium	Exchange Reserves	PRC Stat. Reserves	Retained Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2005	57,446	48,018	1,903	5,387	33,570	146,324
Net profit for the quarter from 1.1.2006 to 31.3.2006	0	0	0	0	1,092	1,092
At 31 March 2006	57,446	48,018	1,903	5,387	34,662	147,416
Issue of 57,200,000 new ordinary shares	11,440	2,288	0	0	0	13,728
New shares issue expenses	0	(806)	0	0	0	(806)
Net profit for nine months from 1.4.2006 to 31.12.2006	0	0	0	0	5,995	5,995
Appropriation to reserve	0	0	0	275	(275)	0
Exchange difference on translation of financial statements of foreign entities	0	0	3,644	0	0	3,644
At 31 December 2006	68,886	49,500	5,547	5,662	40,382	169,977
Net profit for the quarter from 1.1.2007 to 31.3.2007	0	0	0	0	1,461	1,461
At 31 March 2007	68,886	49,500	5,547	5,662	41,843	171,438

<i>The Company</i>	Share Capital	Share Premium	Exchange Reserves	PRC Stat. Reserves	Retained Profits (Losses)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2005	57,446	48,018	0	0	(748)	104,716
Net profit for the quarter from 1.1.2006 to 31.3.2006	0	0	0	0	307	307
At 31 March 2006	57,446	48,018	0	0	(441)	105,023
Issue of 57,200,000 new ordinary shares	11,440	2,288	0	0	0	13,728
New shares issue expenses	0	(806)	0	0	0	(806)
Net profit for nine months from 1.4.2006 to 31.12.2006	0	0	0	0	1,340	1,340
At 31 December 2006	68,886	49,500	0	0	899	119,285
Net profit for the quarter from 1.1.2007 to 31.3.2007	0	0	0	0	275	275
At 31 March 2007	68,886	49,500	0	0	1,174	119,560

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

These figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2006.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings per ordinary share for the first quarter after deducting any provision for preference dividends:		
	FY 2007	FY 2006
Based on weighted average number of ordinary shares in issue (Please see note Below)	0.42 HK cents	0.38 HK cents
On a fully diluted basis (Please see note Below)	Not Applicable	Not Applicable

Note 6a : Basic earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$1,461,000 (FY2006 of HK\$1,092,000) and the weighted average of 344,432,140 (FY2006 of 287,232,140) ordinary shares in issue during the quarter.

Note 6b : Diluted earnings per share

There were no dilutive potential ordinary shares during the period and therefore diluted earnings per share are not presented.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	At 31.3.2007	At 31.12.2006
Net asset value for the Company per ordinary Share based on existing issue share capital	HK\$ 0.35 per share	HK\$0.35 per share
Net asset value for the Group per ordinary Share based on existing issue share capital	HK\$ 0.50 per share	HK\$0.49 per share

The calculation of net asset value per share of the Company at 31 March 2007 is based on the Company's net asset value of HK\$119,560,000 (31 December 2006 of HK\$119,285,000) and 344,432,140 ordinary shares in issue at 31 March 2007 (344,432,140 shares in issue at 31 December 2006).

The calculation of net asset value per share of the Group at 31 March 2007 is based on the Group's net asset value of HK\$171,438,000 (31 December 2006 of HK\$169,977,000) and 344,432,140 ordinary shares in issue at 31 March 2007 (344,432,140 shares in issue at 31 December 2006).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Sales turnover

The Group's revenue generated from provision of services amounted to HK\$7.8 million for the first quarter of FY2007 which showed a decrease of HK\$1.3 million compared to HK\$9.1 million recorded in the first quarter of FY2006, this decrease was the result of slow down in the service revenue generated from the tier 1 bank users as well as the reduction of IT support services revenue as a result of non-renewal of some equipment maintenance contracts due to serious margin erosion brought by increasing local competition. In terms of geographical segmentation, all of our service revenue was derived from the PRC and we do not expect any significant change in this geographical mix in the Group's major source of revenue in the remaining period of FY2007.

Other income

This comprised exclusively the interest income earned on fixed deposits placed with banks. The increase of approximately HK\$0.03 million in the first quarter of FY2007 compared to the first quarter of FY2006 was due to the increase in the average bank deposit interest rate in the first quarter of FY2007.

Staff costs and other operating expenses

In the FY2006 audited financial statements of the Group ended 31 December 2006, certain remuneration payments made to senior consultants originally recorded as staff costs in the first three quarters of FY2006 have been reclassified as other operating expenses because they were assigned to work on specific projects and hence all such related costs have been reclassified as direct project costs which were included under the other operating expenses category. For comparison purposes, the realigned costs for the first quarter of FY2006 and FY2007 are shown as follows (in HK\$'000) :

	Q1 FY2007 Per Audit Classification	Q1 FY2006 Historically Reported	Q1 FY2006 Per Audit Classification
Staff costs	2,395	4,345	3,225
Other operating expenses	3,525	2,976	4,096
	<hr/>	<hr/>	<hr/>
Total	5,920 =====	7,321 =====	7,321 =====

Net profit after taxation

The Group's operating net profit after taxation amounted to approximately HK\$1.5 million for the first quarter of FY2007, an increase of HK\$0.4 million when compared to approximately HK\$1.1 million for the first quarter of FY2006. This was the result of the following :

- (i) a decrease in service revenue generated of approximately HK\$1.3 million which came along with a corresponding compensation in the decrease in total operating expenses of approximately HK\$1.4 million; and
- (ii) a 25% share of profit from associates (Brilliant Time Limited) to the amount of approximately HK\$0.3 million.

Interest in associates

The Group's share for the net profits after tax of the associate from 1 January 2007 to 31 March 2007 which amounted to HK\$285,000 (FY2006: nil) has been equity accounted for in the Group's first quarter result ended 31 March 2007.

The interests in associates to the amount of HK\$21,241,000 stated as at 31 March 2007 (FY2006: nil) represented the Group's share of the associate's net identifiable assets of HK\$2,398,000 and goodwill on acquisition of HK\$18,843,000 (FY2006: nil).

Property, plant and equipment

The total net book value of HK\$14.9 million standing at 31 March 2007 mainly comprised of leasehold properties (HK\$7.0 million), leasehold improvements (HK\$0.7 million), computer application systems (HK\$5.4 million), furniture and equipment (HK\$1.2 million), and motor vehicles (HK\$0.6 million).

Other assets

Other assets amounted to HK\$0.8 million (FY2005: HK\$0.8 million) comprised the costs of transferable life membership of golf club.

Trade and other receivables

Details of the Group's trade and other receivables as at 31 March 2007 and 31 December 2006 respectively are as follows (in HK\$'000) :

	As at 31 March 2007	As at 31 December 2006
Trade receivables	33,391	40,889
Accrued services revenue	6,785	6,942
Other prepayments and receivables	8,162	8,362
	<hr/>	<hr/>
	48,338	56,193
	=====	=====

The Group's trade and other receivables at 31 March 2007 decreased by approximately HK\$7.9 million to HK\$48.3 million from HK\$56.2 million at 31 December 2006 which was mainly attributable to the decrease in trade receivables of approximately HK\$7.5 million as a result of collection of significant amount of trade receivables fell due in the first quarter of FY2007. All of the remaining trade receivables standing at 31 March 2007 are expected to be recovered within one year and the Group so far has not encountered any collection problem with our customers.

Trade and other payables

The Group's trade and other payables decreased from HK\$9.2 million at 31 December 2006 to HK\$6.1 million at 31 March 2007 as a significant portion of FY2006 legal and professional fees accrued at 31 December 2006 were settled in the first quarter this year.

Share capital and reserves

The increase of HK\$1.5 million in the Group's share capital and reserves in the first quarter of FY2007 from approximately HK\$170 million as at 31 December 2006 to approximately HK\$171.5 million as at 31 March 2007 represented the net operating profits after tax generated in the first quarter of FY2007.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The overall conditions in the PRC IT consulting market since we last reported on 28 February 2007 remains to be highly competitive as a result of the entrance and establishment of more international IT consulting firms in the PRC. The Group foresees some orders in the area of Core Banking, Risk Management and Oracle Financials from the 2nd and the 3rd tier banks in the PRC will be captured in the remaining quarters of FY2007.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend is declared/recommendeded for this period.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Not applicable

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable.

- 15. A breakdown of sales**

Not applicable.

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not applicable.

- 17. Negative assurance on interim financial statements**

To the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim financial results to be false or misleading.

BY ORDER OF THE BOARD

11 MAY 2007