

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

Financial statements on combined results of the Group for the third quarter of FY2005 ended 30 September 2005. 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 THIRD QUARTER ENDED 30 SEPTEMBER 2005
(Expressed in Hong Kong thousand dollars)**

	<u>3rd Quarter FY2005</u>	<u>3rd Quarter FY2004</u>
Operating revenue		
Revenue from provision of services	11,686	12,110
Amortisation of negative goodwill	0	203
Other income	386	0
	<u>12,072</u>	<u>12,313</u>
Less : operating expenses		
Staff costs	(5,621)	(4,532)
Depreciation	(782)	(452)
Other operating expenses	(2,036)	(3,537)
	<u>3,633</u>	<u>3,792</u>
Profit from operations	3,633	3,792
Finance costs	<u>(18)</u>	<u>(16)</u>
Profit from ordinary activities before taxation	3,615	3,776
Taxation	0	0
Profit after taxation for the third quarter	<u><u>3,615</u></u>	<u><u>3,776</u></u>

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 30 SEPTEMBER 2005
(Expressed in Hong Kong thousand dollars)

	<u>The Group</u>		<u>The Company</u>	
	<u>As at</u> <u>30.09.05</u>	<u>As at</u> <u>31.12.04</u>	<u>As at</u> <u>30.09.05</u>	<u>As at</u> <u>31.12.04</u>
Non-current assets				
Investment in subsidiary	0	0	45,446	45,446
Property, plant and equipment	21,365	21,749	0	0
Other assets	681	748	0	0
Long term loan due from a subsidiary	0	0	59,141	0
	<u>22,046</u>	<u>22,497</u>	<u>104,587</u>	<u>45,446</u>
Negative goodwill	0	(11,343)	0	0
	<u>22,046</u>	<u>11,154</u>	<u>104,587</u>	<u>45,446</u>
Current assets				
Trade and other receivables	48,050	43,022	173	160
Amount due from a subsidiary	0	0	1,149	59,141
Cash and cash equivalents	75,086	72,956	0	0
	<u>123,136</u>	<u>115,978</u>	<u>1,322</u>	<u>59,301</u>
Current liabilities				
Secured bank loan	(59)	(59)	0	0
Trade and other payable	(1,216)	(3,801)	(163)	(34)
Obligations under finance lease	(75)	(75)	0	0
Taxation payable	(167)	(187)	0	0
	<u>(1,517)</u>	<u>(4,122)</u>	<u>(163)</u>	<u>(34)</u>
Net current assets	<u>121,619</u>	<u>111,856</u>	<u>1,159</u>	<u>59,267</u>
Non-current liability				
Secured bank loan	(104)	(140)	0	0
Obligations under finance lease	(241)	(295)	0	0
Deferred tax liabilities	(50)	(50)	0	0
	<u>(395)</u>	<u>(485)</u>	<u>0</u>	<u>0</u>

Net assets	<u>143,270</u>	<u>122,525</u>	<u>105,746</u>	<u>104,713</u>
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Representing:

Capital and reserves

Share capital	57,446	57,446	57,446	57,446
Reserves	76,422	65,079	47,267	47,267
Net profit for the first three quarters from 1.1.2005 to 30.9.2005	9,402	0	1,033	0
	<u>143,270</u>	<u>122,525</u>	<u>105,746</u>	<u>104,713</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 30 September 2005</u>		<u>As at 31 December 2004</u>	
In HK\$'000		In HK\$'000	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
134	0	134	0

Amount repayable after one year

<u>As at 30 September 2005</u>		<u>As at 31 December 2004</u>	
In HK\$'000		In HK\$'000	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
345	0	435	0

Details of any collateral

The above bank and finance lease 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 THIRD QUARTER ENDED 30 SEPTEMBER 2005
(Expressed in Hong Kong thousand dollars)

	3 rd Quarter FY2005	3 rd Quarter FY2004
Operating activities		
Profit from ordinary activities before taxation	3,615	3,776
Adjustment for:		
Interest expenses	18	16
Interest income	(386)	0
Depreciation	782	452
Amortisation of negative goodwill	0	(203)
(Increase) in trade and other receivables	(2,409)	(4,790)
Increase/(decrease) in trade and other payables	(346)	846
Increase (decrease) in taxation payable	(135)	473
	1,139	570
Cash generated from operations		
Interest received	386	0
Interest paid	(18)	(16)
	1,507	554
Net cash inflow from operating activities		
Investing activities		
Addition of fixed assets	(443)	(622)
	(443)	(622)
Net cash outflow from investing activities		
Financing activities		
Increase (decrease) in secured bank loan	(30)	316
	(30)	316
Net cash inflow/(outflow) from financing activities		
Net increase in cash and cash equivalents	1,034	248
Cash and cash equivalents at beginning of this quarter	74,052	92,881
Cash and cash equivalents at end of this quarter	75,086	93,129
An analysis of cash and cash equivalents in as follows:		
Cash at bank and in hand	75,086	93,129

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	Profit For period	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>At 1 April 2004</i>	45,446	0	(435)	0	0	3,137	48,148
New shares issued for IPO	12,000	61,357	0	0	0	0	73,375
Shares issue expenses	0	(13,357)	0	0	0	0	(13,357)
Net profit for 2 nd quarter	0	0	0	0	0	7,276	7,276
<i>At 30 June 2004</i>	57,446	48,018	(435)	0	0	10,413	115,442
Net profit for 3 rd quarter	0	0	0	0	0	3,776	3,776
<i>At 30 September 2004</i>	57,446	48,018	(435)	0	0	14,189	119,218
Net profit for 4 th quarter	0	0	0	0	0	2,558	2,558
Appropriation to reserve	0	0	0	2,678	0	(2,678)	0
Transfer to retained profits at yearend date	0	0	0	0	14,069	(14,069)	0
Exchange difference on translation of financial Statements of foreign entities	0	0	749	0	0	0	749
<i>At 31 December 2004</i>	57,446	48,018	314	2,678	14,069	0	122,525
One-time recognition of negative goodwill to retained profits	0	0	0	0	11,343	0	11,343
Net profit for the 1 st half year	0	0	0	0	0	5,787	5,787
Net profit for the 3 rd quarter	0	0	0	0	0	3,615	3,615
<i>At 30 September 2005</i>	57,446	48,018	314	2,678	25,412	9,402	143,270

<i>The Company</i>	Share Capital	Share Premium	Exchange Reserves	Other Reserves	Accum. (Losses)	(Loss) For Period	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>At 1 April 2004</i>	45,446	0	0	0	0	0	45,446
New shares issued for IPO	12,000	61,375	0	0	0	0	73,375
Share issue expenses	0	(13,357)	0	0	0	0	(13,357)
Net loss for 2 nd quarter	0	0	0	0	0	(104)	(104)
<i>At 30 June 2004</i>	57,446	48,018	0	0	0	(104)	105,360
Net loss for 3 rd quarter	0	0	0	0	0	0	0
<i>At 30 September 2004</i>	57,446	48,018	0	0	0	(104)	105,360
Net loss for 4 th quarter	0	0	0	0	0	(647)	(647)
Transfer to accumulated losses at yearend date	0	0	0	0	(751)	751	0
<i>At 31 December 2004</i>	57,446	48,018	0	0	(751)	0	104,713
Net profit for the 1 st half year	0	0	0	0	0	696	696
Net profit for the 3 rd quarter	0	0	0	0	0	337	337
<i>At 30 September 2005</i>	57,446	48,018	0	0	(751)	1,033	105,746

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

Nil.

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 2004 except for (i) the accounting of negative goodwill arising from business acquisition, and (ii) the accounting of interest charge on provision of intra-Group long term loan, as explained in details in section 5 below.

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**

(i) Accounting of negative goodwill arising from business acquisition as follows :

In January 2004, the Group acquired a 100% equity interest in Armarda Technology (Zhuhai) Limited ("Armarda Zhuhai") at an aggregate cash consideration of RMB20 million (equivalent HK\$18,692,000) from two independent vendors holding 90% and 10% share of Armarda Zhuhai respectively.

The purchase method of accounting has been applied to account for the acquisition of Armarda Zhuhai in the consolidated financial statements of the Group for the year 2004. Such acquisition resulted in a negative goodwill of HK\$19,857,000. Of the total negative goodwill, an amount of HK\$7,704,000, being the amount in excess of the fair value of non-monetary assets acquired, has been recognised as income immediately upon the acquisition in January 2004. With effect from January 2004, the remaining negative goodwill of HK\$12,153,000, being equal to the amount of the fair value of non-monetary assets acquired, is recognised as income on a straight line basis over a period of 15 years, which represents the weighted average useful life of the identifiable acquired depreciable assets. The net book value of the negative goodwill less accumulated amortisation at 31 December 2004 was HK\$11,343,000.

In March 2004, the IASB issued IFRS 3 "Business Combinations". Except for the limited retrospective application as permitted by IFRS, an entity shall apply IFRS 3 to business combinations for which the agreement date is on or after 31 March 2004. For negative goodwill recognised previously in a business combination for which the agreement date was before 31 March 2004, an entity shall apply IFRS 3 prospectively from the beginning of the first annual period beginning on or after 31 March 2004. Consequently, the carrying amount of the negative goodwill at the beginning of the first annual period

beginning on or after 31 March 2004 shall be derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of retained profits. In this respect, the Group has decided to apply IFRS 3 in its annual financial statements for the year ending 31 December 2005. The directors believed that the adoption of IFRS 3 will not have a material adverse effect on the Group's financial position.

As a result of the adoption of IFRS 3 in this year's financial statements, the net book value of the negative goodwill less accumulated amortisation at 31 December 2004 amounting to HK\$11,343,000 have been transferred from the balance sheet to the opening balance of retained earnings on 1 January 2005 which has in fact been reported and reflected in our result announcement for the first quarter of FY2005. In the full year of FY2005, the Group will record a decrease in earnings from annual amortisation of negative goodwill amounting to HK\$810,000 (or quarterly HK\$202,500) when compared to the full year of FY2004.

(ii) Accounting of interest charge on the provision of intra-Group long term loan financing as follows :

On 31 December 2004, Armarda Group Limited ("the Company") provided a net amount of HK\$59,141,000 financing to Armarda Hong Kong Limited ("AHKL" which is the wholly-owned subsidiary of the Company) which mainly represented the net IPO proceeds received by AHKL on behalf of the Company less payment of other relevant operating expenses. No interest charge has been carried on this intra-Group financing as this was made between the Company and its wholly-owned subsidiary having no profit and loss impact on the Group's financial position after consolidation.

From 1 January 2005 the IFRS 39 came into effect in that all intra-Group long term loan financing were required to carry interest charge at reasonable market interest rate. We decided to comply with this IFRS 39 in FY2005 and accordingly we have reclassified the outstanding amount of HK\$59,141,000 due by AHKL to the Company at 31 December 2004 as 'long term loan due from a subsidiary' on 1 January 2005 which is shown under the non-current assets category in the Company's financial statements. This long term loan also carried an interest charge at 5.0% p.a. commencing from 1 January 2005 which we considered as a reasonable prevailing market interest rate for the accounting of this intra-Group loan interest purposes.

As a result of the adoption of IFRS 39 in this year's financial statements, the Company earned an interest income of HK\$2,217,788 (being 5% on HK\$59,141,000 X 9/12) from 1 January 2005 to 30 September 2005 while AHKL incurred a corresponding interest expense for the same period of HK\$2,217,788. There was no impact on the Group's consolidated profit and loss account as the related interest income earned by the Company and the interest expense incurred by AHKL were wholly eliminated on Group consolidation.

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 third quarter after deducting any provision for Preference dividends:		
	FY2005 Third Quarter	FY2004 Third Quarter
Based on weighted average number of ordinary shares in issue (please see note below)	1.26 HK cents	1.57 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\$3,615,000 (FY2004 of HK\$3,776,000 which included the quarterly amortisation of negative goodwill amounting to HK\$202,500 which did not recur in FY2005) and the weighted average of 287,232,140 ordinary shares in issue during the quarter (weighted average of 240,532,140 ordinary shares in issue for FY2004).

Note 6b : 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 30.9.2005	At 31.12.2004
Net asset value for the Company per ordinary share based on existing issued share capital as at the end of the third quarter	HK\$ 0.37 per share	HK\$0.36 per share
Net asset value for the Group per ordinary share based on existing issued share capital as at the end of the third quarter	HK\$ 0.50 per share	HK\$0.43 per share

Note : Net asset value per share

The calculation of net asset value per share of the Company at 30 September 2005 is based on the Company's net asset value of HK\$105,746,000 (31 December 2004 of HK\$104,713,000) and 287,232,140 ordinary shares in issue at 30 September 2005 (287,232,140 ordinary shares in issue at 31 December 2004).

The calculation of net asset value per share of the Group at 30 September 2005 is based on the Group's net asset value of HK\$143,270,000 (31 December 2004 of HK\$122,525,000) and 287,232,140 ordinary shares in issue at 30 September 2005 (287,232,140 ordinary shares in issue at 31 December 2004).

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\$11.7 million for the third quarter of FY2005 compared to HK\$12.1 million for the same quarter of FY2004 and HK\$13.2 million for the second quarter of FY2005. The decrease in revenue of HK\$1.5 million from the last quarter was primarily due to the slow down of the IT consultancy service revenue generated from our banking users as a consequence of their busy overseas IPO activities in FY2005.

In terms of geographical segmentation, a predominant 97.3% of our total service revenue was derived from the PRC while the rest came from Hong Kong. We do not expect any significant change in this geographical mix in the Group's major source of revenue in the last quarter of FY2005.

Net Profit After Taxation

The Group's operating net profit after taxation amounted to HK\$3.6 million for the third quarter of FY2005 compared to HK\$3.8 million for the same quarter of FY2004 and HK\$3.7 million for the second quarter of FY2005.

At more or less the same level of service revenue, the net operating profit recorded in the third quarter of FY2005 was very close to the third quarter of FY2004. The increase in staff costs from last year's HK\$4.5 million to this year's HK\$5.6 million, which was the result of more PRC regional service support centres being set up in FY2005 and more qualified service engineers and experienced IT consultants being recruited in anticipation of growing demand for service delivery, both in terms of quantity and quality of such services, and to exploit business opportunities, was compensated by the success in reducing this quarter's other operating expenses.

Furthermore, the staff costs incurred in the third quarter of FY2005 has in fact been reduced when compared to HK\$7.0 million in the second quarter of FY2005 which was the result of the organisational restructure taken place in the second quarter.

Our other operating expenses has been reduced from HK\$3.5 million in the third quarter of FY2004 to HK\$2.0 million in the third quarter of FY2005, which were mainly due to the significant decrease in overseas business travelling and marketing expenses as a result of the discontinuance of our Business Transformation line of business in the second quarter this year and the trim down of both our Hong Kong and Singapore operating expenses. The other operating expenses for the second quarter of FY2005 was HK\$2.2 million.

The Group's profits derived in Hong Kong are subject to Hong Kong profits tax at 17.5%. No provision for Hong Kong profits tax was made as the Group sustained losses for Hong Kong profits tax purposes for the period from 1 January to 30 September this year. However, such computation has yet to be accepted and confirmed by the Hong Kong Inland Revenue Department after the tax computation for the full year of FY2005 has been filed after yearend date for final assessment. We consider that the potential Hong Kong profits tax liability for the Group, if any, would be very insignificant.

As a foreign invested enterprise with paid-up capital of over US\$5 million and engaged in the development and provision of high technology business services in the Zhuhai Special Economic Zone, the Group's operating subsidiary in PRC, Armarda Zhuhai has been granted 100% exemption from PRC income tax for the first two profitable years, namely FY2004 and FY2005, and 50% exemption for the further three years, namely FY2006, FY2007 and FY2008. Armarda Zhuhai will be subject to full PRC income tax thereafter. Consequently, the taxable profit derived by Armarda Zhuhai for the year ending 31 December 2005 will be 100% exempted and no provision for PRC income tax was made.

No Singapore income tax was payable in respect of the Group's operations in Singapore, as such operations sustained losses for tax purposes for the first three quarters of FY2005.

Property, Plant and Equipment

The total net book value of HK\$21.4 million standing at 30 September 2005 (HK\$21.7 million at 31 December 2004) mainly comprises of the leasehold properties (HK\$6.9 million), leasehold improvements (HK\$1.9 million), computer application systems (HK\$9.3 million), furniture and equipment (HK\$2.2 million), and motor vehicles (HK\$1.1 million).

Negative Goodwill

The total net book value of HK\$11.3 million negative goodwill as at 31 December 2004 has been carried to the opening balance of FY2005 retained earnings on 1 January 2005 in accordance with the Group's adoption of IFRS 3 in the accounting of negative goodwill arising from business combinations (please see section 5 for details).

Trade and Other Receivables

With respect to the HK\$17.0 million refundable deposit on proposed business acquisition, detailed due diligence works have been completed and we have entered into final negotiation of the Sales & Purchase agreement with the Vendor.

Share Capital and Reserves

As already explained in more details in clause 5 of this announcement, the increase of HK\$11.3 million in reserves from HK\$65.1 million at 31 December 2004 to HK\$76.4 million at 30 September 2005 solely represents the transfer of the net book value of the negative goodwill less accumulated amortisation at 31 December 2004 from the balance sheet to the opening balance of retained earnings (classified under reserves in the balance sheet) on 1 January 2005.

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**

As the WTO deadline looms closer and closer the pressure for the PRC banks to prepare themselves for open competitions continues and this should help ensure continued market growth particularly for IT services. However, some PRC tier 1 banks have been heavily engaged in overseas IPO activities in this year and as a result there is apparent slow down in their respective IT investment activities where we have been engaged in providing our IT services.

With respect to the recent revaluation of the RMB currency against Hong Kong dollars which is the reporting currency of Armarda Group's financial statements, there is a positive impact on our financial position as most of our assets were carried and denominated in the RMB currency. However, we decided only to take the resulting exchange gain on the conversion of net assets in RMB to Hong Kong dollars to our reserves at the yearend date for the purpose of being prudent.

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/recommended, a statement to that effect**

No dividend is declared/recommended 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.

BY ORDER OF THE BOARD

**EXECUTIVE DIRECTOR & CEO
TERENCE LUK**

11 NOVEMBER 2005