

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

Financial statements on combined results of the Group for the third quarter of FY2004 ended 30 September 2004. 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 2004
(Expressed in Hong Kong dollars)**

	Note	Third Qtr. FY2004 HK\$,000	Third Qtr. FY2003 HK\$,000
Operating revenue			
Revenue from provision of services		12,110	12,054
Amortization of negative goodwill	2	<u>203</u>	<u>0</u>
		12,313	12,054
Less : operating expenses			
Staff costs		(4,532)	(3,127)
Depreciation		(452)	(179)
Other operating expenses		<u>(3,537)</u>	<u>(3,445)</u>
Profit from operations		3,792	5,303
Finance costs		<u>(16)</u>	<u>(2)</u>
Profit from ordinary activities before taxation		3,776	5,301
Taxation		<u>0</u>	<u>0</u>
Profit after taxation for the period		<u><u>3,776</u></u>	<u><u>5,301</u></u>

Note 1 to group income statement :

The acquisition of Armarda Zhuhai was effective 8 January 2004. The comparative figures for the third quarter period ended 30 September 2003 have been prepared on a proforma basis for illustrative purpose, as if the acquisition of Armarda Zhuhai had already been effective from the beginning of such period.

Note 2 to group income statement :

The third quarter amortization of negative goodwill, amounting to HK\$202,550, being the pro-rated amount of the remaining negative goodwill of HK\$12,153,000 (HK\$19,857,000 less HK\$7,704,000) arising from the acquisition which shall be amortized over 15 years, commencing from 1 January 2004, on a straight-line basis.

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 2004
(Expressed in Hong Kong dollars)**

Note	The Group HK\$'000		The Company HK\$'000	
	As at 30.09.04	As at 31.12.03	As at 30.09.04	As at 31.12.03
Non-current assets				
Investment in subsidiary	0	0	40,000	20,000
Property, plant and equipment	13,041	13,011	0	0
Other assets	3,713	511	0	0
	16,754	13,522	40,000	20,000
Negative goodwill	(11,545)	(12,153)	0	0
	5,209	1,369	40,000	20,000

Current assets				
Trade and other receivables	26,161	18,428	0	0
Amount due from related party	0	5,028	0	0
Amount due from subsidiary	0	0	60,018	0
Cash and cash equivalents	93,129	22,658	0	0
	<u>119,290</u>	<u>46,114</u>	<u>60,018</u>	<u>0</u>
Current liabilities				
Secured bank loan	(79)	(57)	0	0
Trade and other payable	(3,278)	(2,914)	0	0
Amount due to related party	0	(18,692)	0	0
PRC Sales Tax payable	(1,119)	(187)	0	0
Amount due to directors	(104)	0	(104)	0
	<u>(4,580)</u>	<u>(21,850)</u>	<u>(104)</u>	<u>0</u>
Net current assets	<u>114,710</u>	<u>24,264</u>	<u>59,914</u>	<u>20,000</u>
Non-current liability				
Secured bank loan	(701)	(187)	0	0
	<u>(701)</u>	<u>(187)</u>	<u>0</u>	<u>0</u>
Net assets	<u>119,218</u>	<u>25,446</u>	<u>99,914</u>	<u>20,000</u>
Representing:				
Capital and reserves				
Share capital	52,000	20,000	52,000	20,000
Share premium	48,018	0	48,018	0
Capital reserves	(435)	0	0	0
Net profit/(loss) for period	14,189	0	(104)	0
Retained profits b/f	5,446	5,446	0	0
	<u>119,218</u>	<u>25,446</u>	<u>99,914</u>	<u>20,000</u>

Note 1 to group and company balance sheet :

The comparative figures as of 31 December 2003 have been prepared on a proforma basis for illustrative purpose, as if the acquisition of Armarda Zhuhai has already been effective as on that date.

Note 2 to group and company balance sheet :

A total amount of HK\$19,857,000 negative goodwill had been generated from the acquisition of Armarda Zhuhai on 8 January 2004. HK\$7,704,000 thereof, being the amount in excess of the fair value of non-monetary assets acquired, had been recognised on an once-off basis to the Group income statements both for the year of FY2003 ended 31 December 2003 (being prepared on the proforma basis) and for the third quarter of FY2004 ended 30 September 2004 (being prepared on the actual basis) in conformity to the International Accounting Standards.

The remaining net balance of HK\$11,545,000 at 30 September 2004 (HK\$12,153,000 at 31 December 2003) shall be carried in the balance sheet and amortised to the income statement over 15 years, commencing from 1 January 2004, on a straight-line basis.

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 2004</u>		<u>As at 31 December 2003</u>	
In HK\$'000		In HK\$'000	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
HK\$ 79	HK\$ 0	HK\$ 57	HK\$ 0

Amount repayable after one year

<u>As at 30 September 2004</u>		<u>As at 31 December 2003</u>	
In HK\$'000		In HK\$'000	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
HK\$ 701	HK\$ 0	HK\$ 187	HK\$ 0

Details of any collateral

The bank loan was secured by a charge over two motor vehicles of the Group. This bank loan carried interest at 5% per annum.

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 2004
(Expressed in Hong Kong dollars)

	Note	Third Qtr. FY2004 HK\$'000	Third Qtr. FY2003 HK\$'000
Operating activities			
Profit from ordinary activities before taxation		3,776	5,301
Adjustment for:			
Interest expenses		16	2
Depreciation		452	179
Amortisation of negative goodwill		(203)	0
(Increase) in trade and other receivables		(4,790)	(4,162)
Increase in trade and other payables		846	361
Increase in taxation payable		473	179
		<hr/>	<hr/>
Cash generated from operations		570	1,860
Interest paid		(16)	(2)
		<hr/>	<hr/>
Net cash inflow from operating activities		554	1,858
Investing activities			
Addition of fixed assets		(622)	(12,811)
Addition of other assets		0	(155)
		<hr/>	<hr/>
Net cash (outflow) from Investing activities		(622)	(12,966)
Financing activities			
Capital contributions		0	18,692
Increase in secured bank loan		316	0
		<hr/>	<hr/>
Net cash inflow from financing activities		316	18,692
Net increase in cash and cash equivalents		248	7,584
Cash and cash equivalents at beginning of the period		92,881	7,780
		<hr/>	<hr/>
Cash and cash equivalents at end of this period		93,129	15,364
An analysis of cash and cash equivalents in as follows:			
Cash at bank and in hand		93,129	15,364

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	Capital Reserves	Other 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 July 2004</i>	52,000	48,018	(435)	0	5,446	10,413	115,442
Ordinary shares issued and paid up in February 2004	0	0	0	0	0	0	0
Loss on exchange conversion carried to reserves	0	0	0	0	0	0	0
New shares issued for public subscription on 21 May 2004	0	0	0	0	0	0	0
IPO share issue expenses	0	0	0	0	0	0	0
Net profit for the period	0	0	0	0	0	3,776	3,776
<i>At 30 September 2004</i>	52,000	48,018	(435)	0	5,446	14,189	119,218

<i>The Company</i>	Share Capital	Share Premium	Capital Reserves	Other Reserves	Retained Profits	(Loss) For Period	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>At 1 July 2004</i>	52,000	48,018	0	0	0	(104)	99,914
Ordinary shares issued and paid up in February 2004	0	0	0	0	0	0	0
New shares issued for public subscription on 21 May 2004	0	0	0	0	0	0	0
IPO share issue expenses	0	0	0	0	0	0	0
Net profit/(loss) for the period	0	0	0	0	0	0	0
<i>At 30 June 2004</i>	52,000	48,018	0	0	0	(104)	99,914

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 2003.

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/(loss) per ordinary share for the first three quarters after deducting any provision for preference dividends:		
	FY 2004	FY 2003
Based on weighted average number of ordinary shares in issue (Please see note below)	9.10 HK cents	6.37 HK cents
On a fully diluted basis (Please see note below)	Not Applicable	Not Applicable

Note 6a : The calculation of earnings per share is based on the Group's profit attributable to shareholders and the weighted average of 240,532,140 (FY2003 : 113,616,070) ordinary shares in issue during the period.

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**

	FY 2004	FY2003
Net asset value for the Company per ordinary share based on existing issue share capital as at the end of the third quarter	HK\$ 0.42 per share	Not Applicable
Net asset value for the Group per ordinary share based on existing issue share capital as at the end of the third quarter	HK\$ 0.50 per share	HK\$0.25 per share

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**

Our service revenue amounted to approximately HK\$12.1 million for the third quarter of FY2004, which was approximately the same as the third quarter of FY2003.

Our profit after taxation amounted to approximately HK\$3.8 million for the third quarter of FY2004, comparing to HK\$5.3 for the same quarter of FY2003. Despite maintaining the same revenue level this year, the drop in PAT is mainly due to the greater staff costs and overheads base which was a direct result of the expansion of our operation to cope with forthcoming businesses including the set up of more operational offices as well as the recruitment of more qualified engineers and consultants.

Our staff costs amounted to HK\$4.5 million for the third quarter of FY2004, comparing to HK\$3.1 million for the same quarter of FY2003. In order to cope with the fast-growing demand for service delivery, both in terms of quantity and quality of such services, and to exploit greater business opportunities, we have adopted a very aggressive consultants and service engineers recruitment plan in early FY2004 which resulted in a higher staff costs figure in the third quarter of FY2004 as compared to last year.

Our other operating expenses amounted to HK\$3.5 million for the third quarter of FY2004 comparing to HK\$3.4 million for the same quarter of FY2003, the increase is very minimal as the Group has been working very hard to reduce its other operating expenses despite the increase in the size of our staff team as compared with the same quarter last year.

No provision for Profits tax has been made since Armarda Zhuhai, which was the only profit generating entity of the Group, has been granted an official full Profits tax exemption status for FY2004 ending 31 December 2004 by the Municipal Tax Bureau of the Zhuhai Special Economic Zone. Under the same preferential Profits tax arrangement, Armarda Zhuhai will enjoy a 50% Profits tax exemption status (an effective Profits tax rate of 7.5% under the current jurisdiction) for the two following financial years ending 31 December 2005 and 31 December 2006 respectively.

The net book value of the property, plant and equipment amounted to HK\$13.0 million at 30 September 2004 as compared to HK\$12.6 million standing at 30 June 2004.

Other assets decreased to HK\$3.7 million at 30 September 2004, compared to HK\$4.0 million standing at 30 June 2004.

The net amount of HK\$11.5 million negative goodwill as at 30 September 2004 represented the capitalized portion of the negative goodwill arising from the acquisition of Armarda Zhuhai on 8 January 2004, less three quarters amortization (HK\$0.6 million) thereon, the accounting treatment of which conformed to the International Accounting Standards. The whole amount will be amortized over a period of 15 years starting from 1 January 2004 until 31 December 2018 on a straight-line basis.

Our trade and other receivables increased from HK\$21.4 million at 30 June 2004 to HK\$26.2 million at 30 September 2004. The days sales outstanding at 30 September 2004 was 82 days compared to 69 days at 30 June 2004, both of which fell within the general credit period we offered to our customers of between 60 days to 90 days.

Our trade and other payables increased from HK\$2.4 million at 30 June 2004 to HK\$3.3 million at 30 September 2004.

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

There can be little doubt that the general uncertain conditions at the macro economic level have caused some slow down, this has been compacted by the renewed fears that the Chinese economy will experience a hard landing in the near future. The banking sector which Armarda serves is at the core of the PRC governments policies to cool the economy and develop greater financial discipline.

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.

BY ORDER OF THE BOARD

12 NOVEMBER 2004