

**ARMARDA GROUP LIMITED
RESPONSE TO SGX QUERY ON THE COMPANY'S ANNOUNCEMENT
REGARDING FINANCIAL RESULTS RELEASED ON 11 MAY 2006**

Question 1. Please disclose notes on depreciation, forex etc. after the income statement.

Company's Response :

1.1 Notes on depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives, after taking into account of the estimated residual values of items of property, plant and equipment, and major components that are accounted for separately. The estimated useful lives are as follows :

Leasehold property	Shorter of 20 years or the lease term
Leasehold improvements	Shorter of 5 years or the lease term
Furniture, fixtures, computer and other equipment	5 years
Motor vehicles	5 years

1.2 Notes on foreign currencies

1.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to Hong Kong dollars at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising on translation are recognized in the income statement.

1.2.2 Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Hong Kong dollars at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Hong Kong dollars at rates approximating the exchange rates ruling at the dates of the transactions. Exchange differences arising on retranslation are recognized directly in a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognized in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

Please be advised that detailed notes on depreciation and foreign currency, as well as all income statement and balance sheet items can be found in the Company's FY2006 annual report to shareholders.

Question 2. It was stated on page 8 that the Group's operating net profit after taxation amounted to approximately HK\$1.1 million for the first quarter of FY2006, compared to HK\$2.1 million for the same first quarter of FY2005. This was principally the result of a decrease in service revenue of approximately HK\$2.5 million and a decrease in the total operating expenses of approximately HK\$2.5 million and a decrease in the total operating expenses of approximately HK\$1.5 million. How does the decrease in total operating expenses result in a decrease in net profit after taxation and why did total operating expenses decrease?

Company's Response :

The relevant statement on page 8 of the announcement package actually read as :

"The Group's operating net profit after taxation amounted to approximately HK\$1.1 million for the first quarter of FY2006, compared to HK\$2.1 million for the same first quarter of FY2005. This was principally the result of a decrease in service revenue generated of approximately HK\$2.5 million and a decrease in the total operating expenses of approximately HK\$1.5 million."

In other words, the decrease in service revenue generated in the first quarter has an HK\$2.5 million adverse impact to the quarter's profit after taxation while the decrease in the total operating expenses in the first quarter has a HK\$1.5 million favourable impact to the quarter's profit after taxation, thereby resulting in a net decrease in the first's quarter profit after taxation when compared to the same first quarter of FY2005.

Question 3. We note that the decrease in receivables is not in line with the decrease in sales. Sales fell 21.5% while receivables only fell 1.9%. Please advise on whether there are any problems with collectibility of the receivables and the basis for Director's views.

Company's Response :

Collection of trade receivables are normally made in accordance with contracted credit terms and service delivery milestones which may vary from one customer to another and from one contract to another, therefore the magnitude in the increase and decrease in trade receivables from one quarter to another bears no direct relationship to the revenue recognized in that specific quarter. The management has been taking all appropriate and proactive measures to closely monitor all trade receivable status from time to time to ensure that prompt settlements are made by our customers in accordance with contracted payment terms. To the best knowledge of the Board and the senior management, the Group has not encountered any collection problems so far.