

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

Financial statements on combined results of the Group for the first quarter of FY2005 ended 31 March 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 FIRST QUARTER ENDED 31 MARCH 2005
(Expressed in Hong Kong thousand dollars)**

	First Qtr. FY2005	First Qtr. FY2004
Operating revenue		
Revenue from provision of services	11,627	11,116
One-time recognition of negative goodwill	0	7,704
Other income	213	0
	<u>11,840</u>	<u>18,820</u>
Less : operating expenses		
Staff costs	(5,293)	(3,894)
Depreciation	(837)	(387)
Other operating expenses	(3,622)	(3,648)
	<u>2,088</u>	<u>10,891</u>
Profit from operations	2,088	10,891
Finance costs	(8)	(50)
	<u>2,080</u>	<u>10,841</u>
Profit from ordinary activities before taxation	2,080	10,841
Taxation	0	0
	<u>2,080</u>	<u>10,841</u>
Profit after taxation for the period	<u>2,080</u>	<u>10,841</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 31 MARCH 2005
(Expressed in Hong Kong thousand dollars)**

	The Group		The Company	
	As at 31.03.05	As at 31.12.04	As at 31.03.05	As at 31.12.04
Non-current assets				
Investment in subsidiary	0	0	45,446	45,446
Property, plant and equipment	21,672	21,749	0	0
Other assets	743	748	0	0
	<u>22,415</u>	<u>22,497</u>	<u>45,446</u>	<u>45,446</u>
Negative goodwill	0	(11,343)	0	0
	<u>22,415</u>	<u>11,154</u>	<u>45,446</u>	<u>45,446</u>
Current assets				
Trade and other receivables	45,949	43,022	160	160
Amount due from a subsidiary	0	0	59,141	59,141
Cash and cash equivalents	70,150	72,956	0	0
	<u>116,099</u>	<u>115,978</u>	<u>59,301</u>	<u>59,301</u>
Current liabilities				
Secured bank loan	(59)	(59)	0	0
Trade and other payable	(1,503)	(3,801)	(34)	(34)
Obligations under finance lease	(75)	(75)	0	0
Taxation payable	(474)	(187)	0	0
	<u>(2,111)</u>	<u>(4,122)</u>	<u>(34)</u>	<u>(34)</u>
Net current assets	<u>113,988</u>	<u>111,856</u>	<u>59,267</u>	<u>59,267</u>
Non-current liability				
Secured bank loan	(128)	(140)	0	0
Obligations under finance lease	(277)	(295)	0	0
Deferred tax liabilities	(50)	(50)	0	0
	<u>(455)</u>	<u>(485)</u>	<u>0</u>	<u>0</u>
Net assets	<u>135,948</u>	<u>122,525</u>	<u>104,713</u>	<u>104,713</u>
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 quarter	2,080	0	0	0
	<u>135,948</u>	<u>122,525</u>	<u>104,713</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 31 March 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>
HK\$ 134	HK\$ 0	HK\$ 134	HK\$ 0

Amount repayable after one year

<u>As at 31 March 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>
HK\$ 405	HK\$ 0	HK\$ 435	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 2005
(Expressed in Hong Kong thousand dollars)**

	First Qtr. FY2005	First Qtr. FY2004
Operating activities		
Profit from ordinary activities before taxation	2,080	10,841
Adjustment for:		
Interest expenses	8	50
Interest income	(213)	0
Depreciation	837	387
One-time recognition of negative goodwill	0	(7,704)
Amortisation of negative goodwill	0	(203)
(Increase) in trade and other receivables	(2,927)	(5,140)
(Decrease) in trade and other payables	(2,298)	(810)
Increase in taxation payable	287	0
	(2,226)	(2,579)
Cash generated from operations	(2,226)	(2,579)
Interest received	213	0
Interest paid	(8)	(50)
	(2,021)	(2,629)
Investing activities		
Addition of property, plant and equipment	(755)	0
Decrease in amount due from related party	0	5,028
(Decrease) in amount due to related party	0	(18,692)
	(755)	(13,664)
Financing activities		
Capital contributions	0	20,000
(Decrease) in secured loans	(12)	(12)
(Decrease) in obligations under finance lease	(18)	0
	(30)	19,988
Net cash inflow/(outflow) from financing activities	(30)	19,988
Net increase/(decrease) in cash and cash equivalents	(2,806)	3,695
Cash and cash equivalents at beginning of the quarter	72,956	22,658
Cash and cash equivalents at end of this quarter	70,150	26,353
An analysis of cash and cash equivalents in as follows:		
Cash at bank and in hand	70,150	26,353

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

The Group	Share Capital	Share Premium	Exchange Reserves	Negative Goodwill	PRC Stat. Reserves	Retained Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2003	20,000	0	0	0	0	5,446	25,446
Capitalisation of retained profits b/f	5,446	0	0	0	0	(5,446)	0
Capital contribution	20,000	0	0	0	0	0	20,000
Net profit for the first quarter	0	0	0	0	0	3,137	3,137
At 31 March 2004	45,446	0	0	0	0	3,137	48,583
New shares issued for IPO	12,000	61,375	0	0	0	0	73,375
Shares issue expenses	0	(13,357)	0	0	0	0	(13,357)
Net profit for 9 months from 1.4.2004 to 31.12.2004	0	0	0	0	0	13,610	13,610
Appropriation to reserve	0	0	0	0	2,678	(2,678)	0
Exchange difference on translation of financial statements of foreign entities	0	0	314	0	0	0	314
At 31 December 2004	57,446	48,018	314	0	2,678	14,069	122,525
Net profit for the quarter	0	0	0	0	0	2,080	2,080
One-time recognition of negative goodwill to retained profits	0	0	0	0	0	11,343	11,343
At 31 March 2005	57,446	48,018	314	0	2,678	27,492	135,948

The Company	Share Capital	Share Premium	Exchange Reserves	Negative Goodwill	PRC Stat. Reserves	(Accum. Losses)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2003	0	0	0	0	0	0	0
Capital re-statement as a result of group restructuring	45,446	0	0	0	0	0	45,446
At 31 March 2004	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 9 months from 1.4.2004 to 31.12.2004	0	0	0	0	0	(751)	(751)
At 31 December 2004	57,446	48,018	0	0	0	(751)	(104,713)
Net loss for the quarter	0	0	0	0	0	0	0
At 31 March 2005	57,446	48,018	0	0	0	(751)	(104,713)

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 the accounting of negative goodwill arising from business acquisition 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

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% shares 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, 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 or operating results.

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 to the amount of HK\$11,343,000 have been transferred from the balance sheet to the opening balance of retained earnings on 1 January 2005. In FY2005, the Group will record a decrease in earnings from annual amortisation of negative goodwill to the amount of HK\$810,000 (or quarterly HK\$202,500) when compared to FY2004.

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 2005	FY 2004
Based on weighted average number of ordinary shares in issue (Please see note Below)	0.72 HK cents	4.77 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\$2,080,000 (FY2004 of HK\$10,841,000 which included the one-time recognition of negative goodwill to the amount of HK\$7,704,000 and the quarterly amortisation of negative goodwill to the amount of HK\$202,500) and the weighted average of 287,232,140 (FY2004 of 227,232,140) ordinary shares in issue during the period.

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 31.3.2005	At 31.12.2004
Net asset value for the Company per ordinary Share based on existing issue share capital	HK\$ 0.36 per share	HK\$0.36 per share
Net asset value for the Group per ordinary Share based on existing issue share capital	HK\$ 0.47 per share	HK\$0.43 per share

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

The calculation of net asset value per share of the Group at 31 March 2005 is based on the Group's net asset value of HK\$135,948,000 (31 December 2004 of HK\$122,525,000) and 287,232,140 ordinary shares in issue at 31 March 2005 (287,232,140 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\$11.6 million for the first quarter of FY2005 which showed a 5% growth over the same quarter of FY2004. In terms of geographical segmentation, a predominant 96.5% 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 foreseeable future.

Net Profit After Taxation

The Group's operating net profit after taxation amounted to approximately HK\$2.1 million for the first quarter of FY2005, comparing to HK\$3.1 million (excluding the one-time recognition of negative goodwill which is non-operating and non-recurring in nature for a meaningful comparison purposes) for the same quarter of FY2004. Despite recording a 5% increase in the revenue level in FY2005, the drop in the operating net profit after tax is mainly due to the greater staff costs and overheads base which was a result of more PRC regional service support centres being set up and more qualified service engineers and experienced IT consultants being recruited.

The Group's staff costs grew to HK\$5.3 million for the first quarter of FY2005, comparing to HK\$3.9 million for the same quarter of FY2004. This was the result of an expanded team of supporting staff and professionals in order to cope with the anticipated demand for service delivery, both in terms of quantity and quality of such services, and to continuously exploit greater business opportunities.

Property, Plant and Equipment

The total net book value of HK\$21.7 million standing at 31 March 2005 mainly comprised of leasehold properties (HK\$7.3 million), leasehold improvements (HK\$1.5 million), computer application systems (HK\$9.8 million), furniture and equipment (HK\$2.0 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 if the Group's adoption of IFRS 3 in the accounting of negative goodwill which was explained in more details in section 5 above.

Trade and Other Receivables

The Group's trade and other receivables increased by HK\$2.9 million to HK\$45.9 million from 31 December 2004 which was mainly attributable to the increase in trade receivables.

Trade and Other Payables

The Group's trade and other payables decreased from HK\$3.8 million at 31 December 2004 to HK\$1.6 million at 31 March 2005 as a significant amount of legal and professional fees accrued at 31 December 2004 were settled in the first quarter this year.

Share Capital and Reserves

The increase of HK\$2.1 million in the Group's share capital and reserves in the first quarter of FY2005 represented the net operating profit after tax generated in this quarter.

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 the pressure for the PRC Banks to prepare themselves for open competition continues. This should ensure continued market growth particularly for IT services. As the PRC Banks deploy more IT systems there is an increase in competitive activity as would be expected. We will further concentrate our focus on PRC IT services and will reduce on our other business activities.

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 MAY 2005