

ARMARDA GROUP LIMITED**First Half Year Financial Statement And Dividend Announcement**

Financial statements on combined results of the Group for the first half year of FY2004 ended 30 June 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 FIRST HALF YEAR ENDED 30 JUNE 2004
(Expressed in Hong Kong dollars)**

	Note	1st half year FY2004 HK\$'000	1st half year FY2003 HK\$'000
Operating revenue			
Revenue from provision of services		26,381	5,026
Once-off recognition of negative goodwill	2a	7,704	0
Amortisation of negative goodwill	2b	405	0
		<u>34,490</u>	<u>5,026</u>
Less : operating expenses			
Staff costs		(7,788)	(1,291)
Depreciation		(1,179)	(168)
Other operating expenses		(7,295)	(1,628)
		<u>18,228</u>	<u>1,939</u>
Profit from operations			
Finance costs		(111)	(2)
		<u>18,117</u>	<u>1,937</u>
Profit from ordinary activities before taxation			
Taxation		0	0
		<u>18,117</u>	<u>1,937</u>
Profit after taxation for the period		<u>18,117</u>	<u>1,937</u>

Note 1 to Group income statement :

The acquisition of Armarda Zhuhai was effective 18 January 2004. The comparative figures for the first half year period ended 30 June 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 2a to Group income statement :

The once-off recognition of negative goodwill arising from the acquisition of Armarda Zhuhai, amounting to HK\$7,704,000, being the amount in excess of the fair value of non-monetary assets acquired.

Note 2b to Group income statement :

The half-year amortisation of negative goodwill, amounting to HK\$405,000, 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 amortised 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 JUNE 2004
(Expressed in Hong Kong dollars)**

	<u>The Group</u>		<u>The Company</u>	
	<u>As at</u>	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>Note</u>	<u>30.06.04</u>	<u>31.12.03</u>	<u>30.06.04</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current assets				
Investment in subsidiary		0	40,000	20,000
Property, plant and equipment		12,620	0	0
Other assets		3,964	0	0
		<u>16,584</u>	<u>40,000</u>	<u>20,000</u>
Negative goodwill	2	(12,153)	0	0
		<u>(11,748)</u>	<u>0</u>	<u>0</u>
		<u>4,836</u>	<u>40,000</u>	<u>20,000</u>
		1,369	40,000	20,000

	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets				
Trade and other receivables	21,371	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	92,881	22,658	0	0
	<u>114,252</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	(2,432)	(2,914)	0	0
Amount due to related party	0	(18,692)	0	0
Taxation payable	(646)	(187)	0	0
Amount due to directors	(104)	0	(104)	0
	<u>(3,261)</u>	<u>(21,850)</u>	<u>(104)</u>	<u>0</u>
Net current assets	<u>110,991</u>	<u>24,264</u>	<u>59,914</u>	<u>20,000</u>
Non-current liability				
Secured bank loan	(385)	(187)	0	0
	<u>(385)</u>	<u>(187)</u>	0	0
Net assets	<u>115,442</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
Exchange reserves	(435)	0	0	0
Net profit/(loss) for period	10,413	0	(104)	0
Retained profits/(loss) – negative goodwill	2 7,704	7,704		
Retained profits/(loss) - operating	(2,258)	(2,258)	0	0
	<u>115,442</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 at 31 December 2003 have been prepared on a proforma basis for illustrative purpose, as if the acquisition of Armarda Zhuhai had 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 18 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 first half year of FY2004 ended 30 June 2004 (being prepared on the actual basis) in conformity to the International Accounting Standards.

The remaining net balance of HK\$11,748,000 at 30 June 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 June 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>
79	0	57	0

Amount repayable after one year

<u>As at 30 June 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>
385	0	187	0

Details of any collateral

As at June 30 2004, 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 FIRST HALF YEAR ENDED 30 JUNE 2004
(Expressed in Hong Kong dollars)

Note	1st half year	1st half year
	FY2004	FY2003
	HK\$'000	HK\$'000
Operating activities		
Profit from ordinary activities before taxation	18,117	1,937
Adjustment for:		
Interest expenses	111	2
Interest income	0	(5)
Depreciation	1,179	168
Once-off recognition of negative goodwill	(7,704)	0
Amortisation of negative goodwill	(405)	0
(Increase)/decrease in trade and other receivables	(2,943)	(8,242)
Increase/(decrease) in trade and other payables	(482)	2,591
Increase in taxation payable	459	0
Increase in amount due to directors	104	0
Cash generated from operations	8,436	(3,549)
Interest received	0	5
Interest paid	(111)	(2)
Net cash inflow/(outflow) from operating activities	8,325	(3,546)
Investing activities		
Addition of fixed assets	(788)	(1,411)
Addition of other assets	(3,453)	(449)
Increase/(decrease) in amount due to related party	(13,664)	(6,846)
Net cash inflow/(outflow) from Investing activities	(17,905)	(8,706)
Financing activities		
Capital contributions	20,000	20,000
Increase in secured bank loan	220	0

Issue of shares	73,375	0
Share issue expenses	(13,357)	0
Increase/(decrease) in exchange reserves	(435)	0
Net cash inflow/(outflow) from financing activities	79,803	20,000
Net increase in cash and cash equivalents	70,223	7,748
Cash and cash equivalents at beginning of the period	22,658	32
Cash and cash equivalents at end of this period	92,881	7,780
An analysis of cash and cash equivalents in as follows:		
Cash at bank and in hand	92,881	7,780

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	Negative Goodwill	Retained Profits	Profit For period	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	20,000	0	0	7,704	(2,258)	0	25,446
Ordinary shares issued and paid up in February 2004	20,000	0	0	0	0	0	20,000
Loss on exchange conversion carried to reserves	0	0	(435)	0	0	0	(435)
New shares issued for public subscription on 21 May 2004	12,000	61,375	0	0	0	0	73,375
IPO share issue expenses	0	(13,357)	0	0	0	0	(13,357)
Once-off recognition of negative goodwill	0	0	0	(7,704)	0	0	(7,704)
Net profit for the period	0	0	0	0	7,704	10,413	18,117
At 30 June 2004	52,000	48,018	(435)	0	5,446	10,413	115,442

<i>The Company</i>	Share Capital	Share Premium	Exchange 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 January 2004</i>	20,000	0	0	0	0	0	20,000
Ordinary shares issued and paid up in February 2004	20,000	0	0	0	0	0	20,000
New shares issued for public subscription on 21 May 2004	12,000	61,375	0	0	0	0	73,375
IPO share issue expenses	0	(13,357)	0	0	0	0	(13,357)
Net profit/(loss) for the period	0	0	0	0	0	(104)	(104)
<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 per ordinary share for the first half year 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)	7.53 HK cents	1.70 HK cents
On a fully diluted basis (please see note below)	Not Applicable	Not Applicable

Note 6a : The calculation of earnings per share for the first half year of FY2004 is based on the Group's profit attributable to shareholders and the weighted average of 240,532,140 issued ordinary shares (weighted average of 113,616,070 issued ordinary shares for FY2003) 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 issued share capital as at the end of the first half year	HK\$ 0.42 per share	Not Applicable
Net asset value for the Group per ordinary share based on existing issued share capital as at the end of the first half year	HK\$ 0.48 per share	HK\$0.12 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\$26.4 million for the first half year of FY2004, a growth rate of 5.3 times from that of approximately HK\$5.0 million for the same period of FY2003. The growth in service revenue was mainly due to the fact that our IT services have only been started from early April 2003 in FY2003 and that we have been able to grow our business in FY2004.

Our profit after taxation amounted to approximately HK\$18.1 million for the first half year of FY2004, a growth rate of 9.5 times from that of approximately HK\$1.9 million for the same period of FY2003. However, our first half year profit after taxation figure for FY2004 was contributed by the recognition of a total amount of HK\$8.1 million of negative goodwill which was generated by the acquisition of Armarda Zhuhai. After excluding this non-recurring and exceptional income, our operational profit after taxation reached HK\$10.0 million which was 5.3 times from the corresponding first half year of FY2003.

Our staff costs amounted to approximately HK\$7.8 million for the first half year of FY2004, a growth rate of approximately 6.0 times from that of approximately HK\$1.3 million for the same period of FY2003. In order to cope with the fast-growing demand for service delivery, both in terms of quantity and quality of such services, we have recruited more IT service

consultants and service engineers in early FY2004 which resulted in a higher staff costs figure in the first half year of FY2004.

Our other operating expenses amounted to HK\$7.3 million for the first half year of FY2004, an increase of 4.6 times from that of approximately HK\$1.6 million for the same period of FY2003. Such increase was due to the growth in our business volume in FY2004.

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 value of the property, plant and equipment amounted to HK\$12.6 million at 30 June 2004 which was very similar to the 31 December 2003 balance of HK\$13.0 million as new acquisitions made during the first half year of FY2004 was only HK\$0.8 million.

Other assets increased to HK\$4.0 million at 30 June 2004, an increase of HK\$3.5 million from that of HK\$0.5 million at 31 December 2003. The increase was the result of the purchase of an operational software package in order to enhance the quality and efficiency of our service offerings to customers.

The net amount of HK\$11.7 million negative goodwill as at 30 June 2004 represented the capitalized portion of the negative goodwill arising from the acquisition of Armarda Zhuhai on 18 January 2004, less half year amortization (HK\$0.4 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\$18.4 million at 31 December 2003 to HK\$21.4 million at 30 June 2004. The days sales outstanding at 30 June 2004 was 69 days compared to 66 days at 31 December 2003, both of which fell within the general credit period we offered to our customers of between 30 days to 90 days.

The net amount due from/to related party totalling HK\$13.7 million has been fully settled at 30 June 2004 following the acquisition of Armarda Zhuhai on 18 January 2004, and no related party transaction has taken place thereafter.

There was a HK\$32.0 million increase in share capital and a HK\$48.0 million increase in share premium during the first half year of FY2004. This was the result of a share capital issue of HK\$20.0 million in February 2004 and an initial public offering (IPO) of HK\$60.0 million (net proceeds after deduction of relevant IPO expenses of approximately HK\$13.4 million).

We have generated a net increase of HK\$70.2 million in cash and cash equivalent for the first half year of FY2004, comparing to HK\$7.7 million for the corresponding first half year of FY2003.

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 pressure for reform in the financial sector in China continues unabated. Senior Chinese leaders continue to reinforce that the reform and modernisation of the financial sector is a key factor in the growth of the Chinese economy. This pressure maintains the market momentum and confirms that this market is not adversely affected by government actions to slow down the overall economy.

The market is attracting new competitors from overseas and there is a growing focus on speed of change within the banks in China. Armarda truly believes that, with our deep experience of Chinese and western financial services, is well positioned in the market.

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

10 AUGUST 2004