ARMARDA GROUP LIMITED

Annual Report 2004

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OUR VISION

To become a leading IT and professional services company to the financial services industry in Asia.

CORPORATE PROFILE

Background

Incorporated in 2003, Armarda Group Limited is a IT and professional services provider focused on serving the People's Republic of China ("PRC") banking and financial services industry. The Group provides an integrated suite of IT professional services that address the needs of PRC banks as they transform and enhance their systems to prepare themselves for increasing foreign competition.

Under the Group's IT Consulting Services business, Armarda provides IT strategy review and formulation, IT infrastructure architecture and technology integration to banks and financial institutions. Armarda also offers niche IT Support Services which cover installation, technical and maintenance support for the banks' ATMs and other self-service terminals.

To provide our clients with an integrated solution, we have also developed a range of Business Transformation services based on its *SureTrans* methodology to help enterprises optimize their business operations in a fast, reliable and efficient way. These services include the formulation and implementation of its customers' business strategies, leadership and management transformation and corporate culture transformation.

Armarda is backed by a strong team of IT professionals who hail from internationally renowned technology firms. Their depth of understanding and first-hand experience of the PRC's banking sector, coupled with knowledge of the advanced banking systems in developed countries, provide us with a distinct competitive edge to capitalize on the modernization of domestic financial institutions. Presently, some of our major customers include two of the first tier banks in the PRC such as the Bank of Communications and China Construction Bank, and second tier bank, Shenzhen Commercial Bank.

The Group has also forged close ties with leading technology vendors such as IBM, Electronic Data System and Wincor Nixdorf. To this end, Armarda is certified as a IBM Business Development Partner as well as a leading maintenance partner to Wincor Nixdorf.

Armarda has established operations in Beijing, Shanghai and Zhuhai, as well as a wide network of service depots throughout China for its ATM maintenance support business. Leveraging on our extensive experience in the PRC banking sector and partnerships with leading technology vendors, we believe Armarda is poised to address the huge business potential in the PRC banking and financial services sector.

MESSAGE FROM CHAIRMAN

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present Armarda Group Limited's maiden annual report for the financial year ended December 31, 2004 ("FY2004").

It was a significant year for Armarda as we attained a major milestone shortly after our inception when we became a publicly listed company on the SGX-SESDAQ in May 2004. Given Armarda's short operating history, this successful listing was a strategic step to raise our corporate profile and standing to facilitate the expansion of our operations.

Armarda was incorporated in 2003 to capitalize on the transformation of the financial services industry in China, a sector that should be completely opened to foreign competition by the end of 2006. We started with a team of IT professionals, who hail from internationally renowned technology firms and each has at least 10 years of experience serving the financial and telecommunications sectors in China. They bring with them good relationships and connections as well as a unique blend of foreign expertise and local knowledge of the Chinese banking sector.

These qualities provide us with the leverage and head start to participate in the demand for IT and other professional services, driven by an overhaul in the financial services sector in China. To set ourselves apart from competition, we created an integrated suite of IT and professional services – IT Consulting, IT Support and Business Transformation services – that would enable the domestic financial institutions in China to transform successfully to be on par with the global banking standards.

During the year, we have expended intensive efforts in building our market position in the Chinese banking and financial services industry. Banking on the long-standing relationships our team has with the financial institutions and leading technology vendors in China, we were able to make great strides and establish a respectable customer base comprising top-tier banks in China – the China Construction Bank and the Bank of Communications – as well as leading second-tier banks such as Shanghai Pudong Commercial Bank and Shenzhen Development Bank.

Besides increasing our marketing efforts, we have also broadened our geographical presence in China to improve our service delivery and grow our market share in the banking services sector.

Our initiatives are paying off as we recorded a set of stellar financial results for FY2004. Group revenue surged on growing demand for our IT consulting and IT maintenance and support services in China. During the year, we have also strengthened our capabilities by actively increasing our number of IT consultants and service engineers to cope with a higher volume of business and to ensure that we would have sufficient resources to exploit the significant business opportunities.

Prospects

Looking ahead, we believe the reform in China's financial services industry will continue to take place as the country's bank regulator – the China Banking Regulatory Commission – has stated its plans to modernize the financial systems and bring it in line with the international standards. Besides coping with increasing foreign competition after the PRC's accession to WTO and catering to higher customer expectations, modernization of the financial sector is also imperative to the continued growth of the Chinese economy. However, the rate of transformation also hinges on the success of a soft landing in the Chinese economy.

This prospect has already sparked off IT infrastructure and system upgrades for some of the larger domestic banks and we are optimistic that the adoption of open and modernized IT systems will continue to rise.

To enlarge our share of the huge financial services market in China, we plan to leverage on our relationships with leading technology vendors and banks to secure a foothold with the first-tier PRC banks. This will give a boost to our credentials and pave the way for the Group's penetration into the second-tier and smaller provincial banks. We believe this strategy will also help to lay the foundation for the Group's continued growth in the future.

We also foresee a significant growth in the number of ATMs and self-service terminals in China as the domestic banks work on improving their service quality. Coupled with the trend towards outsourcing of IT infrastructure management and IT support services, the outlook for our IT maintenance and support services is expected to be bright.

We believe Armarda is well-placed to benefit from the growing demand for IT services within the banking and financial services sector in the PRC. Barring any unforeseen circumstances, we are optimistic of Armarda's continued growth in FY2005.

Appreciation

On behalf of the Board of Directors, I would like to extend my gratitude to the new shareholders from our Initial Public Offer who had the confidence to invest in Armarda's fundamentals and growth prospects.

To our management team and staff, I want to extend my utmost appreciation for their dedication, commitment and contribution to the growth of our company. I also wish to express my sincere thanks to all our valued customers, suppliers and business associates for their unwavering support in Armarda over the past year.

With the support of everyone involved with the Group, our aim is to steer Armarda towards our vision of becoming a leading IT and professional services company to the financial services industry in Asia.

Dr Chou Tao-Hsiung, Joseph
Chairman

MESSAGE FROM CEO

It is with pleasure that I present to you the results Armarda has achieved in FY2004. The year was marked by our successful listing on the SGX-SESDAQ as well as the creditable advancements we have made in China's banking and financial services industry.

I am therefore pleased to share with you a review of our business performance for FY2004, as well as an insight into the strategies that we will be employing to spur the Group's expansion.

The Year in Review

The Group's revenue registered a sterling growth of 50.4% to HK$50.7 million in FY2004 from HK$33.7 million in FY2003.[1] Despite the substantial increase in the Group's operating expenses, the Group achieved a net operating profit after taxation of HK$16.7 million for FY2004 (excluding the impact of one-time recognition of negative goodwill generated from the acquisition of Armarda Zhuhai, which amounted to HK$7.7 million) from HK$16.6 million the previous year on a pro forma basis.

Group revenue was boosted by good growth from our IT Consulting and IT Support businesses. During the year, Armarda was awarded two noteworthy IT Consulting contracts from the Bank of Communications ("BOCOM") and the China Construction Bank ("CCB"), two of the top-tier banks in China.

We were very encouraged by the award of Phase 2 of BOCOM's Data Consolidation Project that enables data sharing and access among BOCOM's bank branches across China. Armarda has successfully completed Phase 1 of the project for BOCOM's Corporate Banking unit and is in the process of implementing Phase 2 for the bank's retail banking unit.

The contract from CCB involves building a pilot system for loans processing by deploying Enterprise Content Management ("ECM") technology. We believe these projects with top-tier banks in China serve as recognition of our best-of-breed technical competency and intimate knowledge of the banking industry. Moreover, these are high-profile clients that are good references for the Group as we build on our customer base in the Chinese banking sector.

Our IT Support business division also exhibited excellent growth in revenue. In the past year, we have increased our service depots to 19 in China to broaden our market presence, which is instrumental to the growth of our ATM maintenance and support services. Our efforts are paying off as we continue to secure more maintenance and support services contracts from ATM vendors and banks.

Revenue from the Group's Business Transformation business was helped by an assignment from De La Rue Asia Pacific Cash Systems, the world's largest commercial security printer and leading provider of cash handling equipment and software solutions to central and commercial banks. Under this agreement, Armarda designed and executed Business Transformation programs that would strengthen their regional Cash Systems team to penetrate into the Chinese banking sector. De La Rue's confidence in Armarda's services is a strong testament to the Group's first-hand experience and thorough understanding of the Chinese banking environment.

Our total operating expenses amounted to HK$34.8 million for FY2004, an increase of 102.8% from the previous year on a pro forma basis, due to our aggressive consultants and service engineers recruitment exercise that was set in motion in early FY2004. Besides addressing the fast-growing demand for service delivery on quality and quantity, a larger team of IT professionals will also ensure we have adequate resources to capture more business opportunities.

The foundation of Armarda's corporate and financial achievements in the past year comes from our team of highly experienced management and skilled technical professionals. On top of attracting new engineers and consultants, we are also committed to developing and retaining our quality employees to take the Group forward.

[1] The Pro forma results for FY2003 were prepared as if the acquisition of Armarda Zhuhai had been already effective at the beginning of FY2003.

Forging Ahead

Going forward, the pressure for the transformation of the financial services industry in China continues unabated. This we believe will allow for the continuation of solid market growth. To capitalize on these opportunities, Armarda is positioned as a transformation specialist for the PRC's financial services industry, providing a suite of differentiated IT and Professional Services.

Our energies will be directed at increasing market penetration of our core businesses in China, particularly for the Group's two key growth engines, IT Consulting and IT Support services.

To propel the growth of our IT Consulting business, we plan to target the second-tier banks, that is, the provincial and city banks in China by leveraging on our success with BOCOM and CCB. Last year, we launched our new ECM business solution for data and information, which was implemented for CCB to manage and process their loans. This ECM technology, in our opinion, is a highly scalable service offering as its flexibility enables the solution to be deployed for other bank departments that require content management services. Furthermore, the contract with CCB serves a springboard for us to market our ECM business solutions to other first-tier banks and second-tier banks in China. Given the multitude of bank branches in China, the market potential for our ECM business solution is promising.

We plan to ride on the anticipated rapid expansion of China's ATM population by expanding our geographical footprint. By setting up more service centers and service points throughout the country, we will be more competitively positioned to capture a larger share of the ATM maintenance and support outsourcing business from equipment manufacturers and banks. Besides ATM management, we believe outsourcing of IT network and infrastructures can potentially be another impetus for the expansion of our IT Support services division.

We will also continue to explore strategic investments that can enhance the Group's growth profile. These investments can include joint ventures, alliances with partners or acquisitions that enable us to make further market penetration, or buy new technological know-how and intellectual property.

Given the positive outlook of the market we are addressing and our focused business strategies, we are confident that Armarda will be able to carve a strong reputation for its services and continue to deliver growth in FY2005.

A Word of Thanks

In closing, I would like to thank our shareholders, staff, customers, suppliers, banks and business partners for their support over the past year. In particular I would like to thank the staff of Armarda who have continually demonstrated their skill professionalism and commitment to the company.

With our strong financials, clear strategies for growth, management commitment and unwavering support from our shareholders, we are poised to play a greater role in the modernization of China's financial services industry.

I look forward to your continued support to build Armarda into a stronger organization and to make the current year even better for the company.

Graham Francis Valentine
Chief Executive Officer

BOARD OF DIRECTORS

Dr Chou Tao-Hsiung, Joseph
Non-executive Chairman

Dr Joseph Chou was appointed as the Group's Non-executive Chairman in March 2004. He is responsible for overseeing the business policies and strategies of our Group. Prior to his present position, Dr Chou served as a Chief Consultant (Business) with Taiwan Secom Co Ltd since March 2003. He also served as the Chairman and Chief Executive Officer of Goldsun Computer and Communication Co Ltd between 2000 and 2003. Dr Chou spent more than 20 years with IBM, 18 years of which was with IBM in the USA and 3 years with IBM in Taiwan. He was the Chairman and President in charge of the overall operations of IBM in Taiwan from 1968 to 1971.

Dr Chou holds a PhD in Econometrics from the Iowa State University, USA and a Master of Science in Agriculture Economics from the Cornell University, USA.

Mr Luk Chung Po, Terence
Non-executive Vice Chairman

Mr Terence Luk was appointed as our Non-executive Vice-Chairman in March 2004. He is responsible for the overall strategic planning and business development of our Group. From 1986 to 1995, Mr Luk held various senior positions in the Unisys Group's subsidiaries in China – Unisys China Limited and Unisys China/Hong Kong Limited. Mr Luk co-founded and was appointed as the Vice-Chairman of Hong Kong-listed Technology Venture Holdings Limited between 1996 and 2001. Since September 2002, he has also been the Non-executive Chairman of Singapore-listed MultiVision Intelligent Surveillance Limited.

Mr Luk holds a Bachelor's Degree in Business Administration from the Chinese University of Hong Kong.

Mr Lin Ming Sheng, Vincent
Non-executive Director

Mr Vincent Lin was appointed as our Non-executive Director in March 2004. Mr Lin is also currently the President of Goldsun Computer & Communication Co Ltd, which he joined in 1999. Since 1997, he has been the President of Azure International Incorporated. A year later in 1998, Mr Lin was appointed as a Director of eSkylink Telecommunications Co Ltd. Mr Lin is also the Non-executive Deputy Chairman of MultiVision Intelligent Surveillance Limited, a company listed on the SGX-ST.

He holds a Bachelor's Degree in Business Administration from the Georgetown University and a Juris Doctorate Degree from the University of California's Hastings College of Law.

Mr Graham Francis Valentine
Chief Executive Officer

Mr Graham Valentine has been with us since June 2003. He is responsible for the implementation of our strategic plans and business development policies as well as the management and leadership of the Business Transformation, IT Consulting and IT Support services provided by our Group. Prior to joining Armarda, Mr Valentine held various positions with Hewlett Packard and its subsidiaries in the UK since 1983. From 1993 to 2002, Mr Valentine was the General Manager of Hewlett Packard Inc's complementary products division and was responsible for the various business divisions and activities in the Asia Pacific. In addition, he also served as the General Manager of Hewlett Packard Europe's European Integration Centre in Lyons where he was responsible for developing Hewlett Packard's system integration and logistical capabilities from 1995 to 1998. He also served on the worldwide management teams for Hewlett Packard Consulting, Hewlett Packard Professional Services Business Unit and Hewlett Packard Finance and Complements Group.

Mr Valentine was Professor of International Business/Government and Business at the International University of Geneva from 2002 to 2004. He holds a Master's Degree in Business Administration from the Institute for Management Development Lausanne.

Mr Lee Joo Hai
Independent Director

Mr Lee Joo Hai was appointed as an Independent Director of our Company in March 2004. Currently a partner in BDO International, a public accounting firm, Mr Lee has more than 20 years of experience in accounting and auditing. He is a Certified Public Accountant of Singapore and a member of Institute of Chartered Accountants in England and Wales, Malaysian Institute of Accountants and Singapore Institute of Directors.

Mr Lee completed a foundation course in accountancy with the Northeast London Polytechnic and passed the Professional Examinations of the Institute of Chartered Accountants in England and Wales.

Mr Phuah Lian Heng
Independent Director

Mr Phuah Lian Heng was appointed as an Independent Director of our Company in March 2004. He is currently the Managing Director of VCOD (Spore) Pte Ltd, a business consultancy firm. Prior to that, he was the Head of corporate development in Gates Engineering Pte Ltd between 2000 and 2001. Mr Phuah was also an engineer with Hewlett Packard between 1992 and 1994 before moving on to the Mentor Media group of companies in 1995 where he held senior positions.

Mr Phuah holds a Bachelor's Degree (First Class Honours) in Electrical Engineering from the National University of Singapore.

KEY MANAGEMENT

Ms Felicia Choy
President / Chief Operating Officer

Ms Felicia Choy has been with us since June 2003. She is in charge of our operations, marketing, human resource and administration functions. She also spearheads our Business Transformation services division. Prior to joining the Group, Ms Choy served at Hewlett Packard for more than 18 years. During which she has held various senior positions including South East Asian Region Marketing Manager at Hewlett Packard Singapore, Asia Pacific General Manager for Complementary Products at Hewlett Packard Asia Pacific, Hong Kong and worldwide Business Development Manager of solution products in Hewlett Packard in California, USA. She has led international teams of geographically-distributed professionals in the global business development, marketing and sales of Hewlett Packard's solution products.

She holds a Bachelor of Arts in Computer Science from the University of California in Berkeley, USA.

Mr Mak Tin Sang
Chief Financial Officer

Mr Mak Tin Sang has been with us since January 2004. He oversees the Group's finance and accounting policies and operations. Mr Mak was a consultant with Armarda before he joined us as Chief Financial Officer in 2004. Prior to that, he was the Chief Financial Officer of the MultiVision group of companies between August 2001 and September 2003. Mr Mak also served as Group Chief Financial Officer and General Manager of UniVision Engineering Limited's operations in the PRC from October 1996 to July 2001.

Mr Mak holds a Master's Degree in Business Administration from the University of Sheffield, UK. He is also a fellow of the United Kingdom Chartered Association of Certified Accountants.

Mr Achilles Choi
Senior Vice President

Mr Achilles Choi has been with us since January 2002. He is responsible for our sales and our IT Consulting services division. In 1992, Mr Choi joined Unisys China Ltd as marketing director and was promoted to sales director for financial industry in 1994. Prior to that, he served at the financial business unit of IBM China in 1985 as an application software developer and a member of the IBM Industrial and Commercial Bank of China project team to implement online retail banking in the PRC. He continued to hone his financial systems expertise when he was transferred to IBM's Hong Kong operations in 1989.

Mr Choi holds a Bachelor's Degree in Arts and Applied Mathematics from the University of California in Berkeley, USA.

Mr Albert Tsang
Vice President

Mr Albert Tsang has been with us since April 2003. He is responsible for our IT Support services division. Prior to joining our Group, Mr Tsang had served with NCR Corporation for more than 24 years. He started as an instructor of computer courses in 1979 and rose to positions including Project Manager, General Manager and Vice President. He was involved in banking and commercial industry-projects in Hong Kong and responsible for the channel/dealer management of ATM sales and the business development of ATM services sales China. Between 1999 and 2000, he was responsible for all ATM sales, marketing and support services for the Greater China area (including China, Hong Kong and Taiwan).

Mr Tsang holds a Bachelor's Degree in Arts from the University of Hong Kong.

Ms Florence Tso
Principal Consultant

Ms Florence Tso has been with us since March 2003. She is responsible for leading our team of consultants in the provision of IT Consulting services and for managing complex IT Consulting projects. Ms Tso has about 28 years of experience in the IT industry with specialisation in application development and technology integration and more than 20 years of experience in the banking industry. She served at Wing On Computer Systems Limited for 19 years where she held positions including Director of Marketing and Development and Systems Development Manager. She was also with Vanda Systems Communications Holding Ltd, which provides system integration services for banking and public sectors in Hong Kong and China as the Vanda Shenzhen Development Centre's General Manager and Vanda Software Group's Director of Professional Services and Product Development. In 2000, she joined IBM China/Hong Kong Ltd where she managed a professional team in the conduct of solution/service sales and delivery activities for IBM's banking engagements in Hong Kong and China. Ms Tso was an associate partner of Business Consulting Services, IBM Global Services when she left to join our Group in 2003.

Ms Tso holds a Bachelor's Degree of Social Science (Economics and Computer Science) from the Chinese University of Hong Kong.

Mr Wen Feng
General Manager of Armarda Zhuhai

Mr Wen Feng is the General Manager of our PRC subsidiary, Armarda Zhuhai and has been with us since March 2003. He is in charge of strategic planning and business development of our Group's operations in the PRC. Prior to that, Mr Wen was the general manager of Zhuhai Nengtong Bozhi Computer Network Co Ltd from 2002 to 2003. He was also the operating manager of the import and export department of Nangfang Gongmao Zhuhai Industry Company from 1990 to 2001 and a computer engineer at the National University of Defence Technology in the PRC from 1982 to 1990.

He holds a Master's Degree in Computer System and Network from the National University of Defence Technology, PRC.

CORPORATE INFORMATION

Board of Directors

Dr Chou Tao-Hsiung, Joseph (Non-executive Chairman)
Luk Chung Po, Terence (Non-executive Vice-Chairman)
Lin Ming Sheng, Vincent (Non-executive Director)
Graham Francis Valentine (Chief Executive Officer)
Lee Joo Hai (Independent Director)
Phuah Lian Heng (Independent Director)

Key Management

Felicia Choy (President / Chief Operating Officer)
Mak Tin Sang (Chief Financial Officer)
Archilles Choi (Senior Vice-President)
Albert Tsang (Vice-President)
Florence Tso (Principal Consultant)
Wen Feng (General Manager of Armarda Zhuhai)

Audit Committee

Lee Joo Hai (Chairman)
Phuah Lian Heng
Luk Chung Po, Terence

Remuneration Committee

Phuah Lian Heng (Chairman)
Lee Joo Hai
Luk Chung Po, Terence

Nominating Committee

Phuah Lian Heng (Chairman)
Lee Joo Hai
Lin Ming Sheng, Vincent

Joint Company Secretaries

Mak Tin Sang
Raymond Tong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda
Tel: 441 295 1443
Fax: 441 295 9216

Bermuda Registrar and Share Registrar Agent

Reid Management Limited
Argyle House 41a Cedar Avenue
Hamilton HM12
Bermuda

Singapore Share Transfer Agent

M & C Services Private Limited
138 Robinson Road, #17-00
The Corporate Office
Singapore 068906

Auditors

KPMG
Certified Public Accountants
10 Chater Road
8th Floor, Prince's Building
Central
Hong Kong

Partner-in-charge: Mr Chow Siu Lui
(since financial period ended 31 December 2001)

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Ocean Building Branch
20 Raffles Place, No.02-00, Ocean Towers
Singapore 048620

Shanghai Commercial Bank Limited
Tsimshatsui East Branch
G/F, Houston Centre
Tsimshatsui East, Kowloon
Hong Kong

Zhuhai City Commercial Bank
No. 1234, JiuZhou Avenue (East)
JiDa, Zhuhai
China

PROPERTY INFORMATION

Major properties held for owned operations:

Location	Purpose of property	Tenure of land	Term of lease
Floor 18 &19 Commercial Bank Building No.1346, Jiuzhou Road East, Zhuhai City Guangdong Province, PRC	Office premises	Leasehold	50 years

Armarda Group Limited (the "Group") is committed to achieving a high standard of corporate governance which conforms to the principles set out in the Singapore Code of Corporate Governance (the "Code"). The Board is pleased to report on the compliance of the Group with the Code (except as otherwise stated).

Principle 1 : Board's Conduct of its Affairs

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate and strategic directions. The Board is also responsible for implementing policies in relation to financial matters, which include risk management and internal control and compliance. In addition, the Board reviews the financial performance of the Group, approves investment proposals, and approves nomination of Directors to the Board and the appointment of key management personnel. These functions are carried out either directly or through designated Board Committees including the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC").

Principle 2 : Board Composition and Balance
Principle 4 : Board Membership

Board of Directors

The composition of the Board and designated Board Committees are as follows:

Name	Nature of Board Members	Committee Membership		
		Audit Committee	Remuneration Committee	Nominating Committee
Dr Chou Tao-Hsiung, Joseph	Non-Executive Chairman	—	—	—
Mr Graham Francis Valentine	CEO/Executive Director	—	—	—
Mr Lin Ming Sheng, Vincent	Non-Executive Director	—	—	Member
Mr Luk Chung Po, Terence	Non-Executive Director	Member	Member	—
Mr Lee Joo Hai	Independent Director	Chairman	Member	Member
Mr Phuah Lian Heng	Independent Director	Member	Chairman	Chairman

The Group believes that there should be a strong and independent element in the Board to exercise objective judgment. The Board of 6 Directors includes 2 Independent and 3 Non-Executive Directors. The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 6 to 7 of the Annual Report.

The independence of each Director is reviewed by the Nominating Committee ("NC"). The NC adopts the definition of what constitutes an Independent Director from the Code. The NC is of the view that Mr. Lee Joo Hai and Mr Phuah Lian Heng are independent.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group.

Prior to their respective appointments to the Board, each of the Directors was given an orientation on the Group's business strategies and operations. The Directors will receive, from time to time, further relevant training, particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular presentations and meetings.

The Board meets regularly to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance, and to endorse the release of the quarterly and annual results. Where necessary, additional meetings may be held to address significant transactions or issues. The Group's Bye-laws permits a Board meeting to be conducted by way of tele-conference and video-conference.

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND BOARD COMMITTEES HELD FROM 1 JANUARY 2004 TO 31 DECEMBER 2004

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of director	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Dr Chou Tao-Hsiung, Joseph	2	1	-	-	-	-	-	-
Luk Chung Po, Terence	2	2	2	2	-	-	1	1
Lin Ming Sheng, Vincent	2	1	-	-	1	0	-	-
Graham Francis Valentine	2	2	-	-	-	-	-	-
Lee Joo Hai	2	2	2	2	1	1	1	1
Phuah Lian Heng	2	2	2	2	1	1	1	1

No. of board meetings held from 1 January 2004 to 31 December 2004: 2
No. of audit committee meetings held from 1 January 2004 to 31 December 2004:2
No. of nominating committee meeting held from 1 January 2004 to 31 December 2004:1
No. of remuneration committee meeting held from 1 January 2004 to 31 December 2004:1

Principle 3: Role of Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer ("CEO") perform separate functions to ensure that there is an appropriate balance of power and authority, and that accountability and independent decision-making are not compromised. The Chairman is Dr Chou Tao-Hsiung, Joseph and the CEO is Mr Graham Francis Valentine. Apart from providing guidance on the corporate direction of the Group, the Chairman chairs Board meetings, and controls the quality, quantity and timeliness of information supplied to the Board. The CEO sets the business strategies and directions for the Group and manages the business operations of the Group with other senior management staff. The Chairman and the CEO are not related.

Principle 5: Board Performance

Nominating Committee

The NC comprises Mr Phuah Lian Heng, Mr Lee Joo Hai and Mr Lin Ming Sheng, Vincent. The NC is chaired by Mr. Phuah Lian Heng.

The Board has approved the written terms of reference of the NC. The NC performs the following functions:

a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;
b) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of corporate governance and the Code;
c) procuring that at least one-third of the Board shall comprise Independent Directors;
d) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Group, having regard to the Directors' contribution and performance, including Independent Directors;
e) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and
f) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

For the year under review, the NC evaluated the Board's performance as a whole and the contribution of each Director to the effectiveness of the Board.

Pursuant to the Group's Bye-laws, all Directors submit themselves for re-nomination and re-election at least once every 3 years.

The NC recommended to the Board that Dr Chou Tao-Hsiung, Joseph; Mr Luk Chung Po, Terence; Mr Lin Ming Sheng, Vincent; Mr Graham Francis Valentine; Mr Lee Joo Hai; and Mr Phuah Lian Heng be nominated for re-appointment at the forthcoming AGM.

In making their recommendations, the NC had considered the Directors' overall contribution and performance.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision making process. The Board is provided with adequate and timely information prior to each Board meeting. Board papers are prepared for each Board meeting and are usually circulated at least three working days prior to each meeting.

The Board has separate and independent access to senior management and the company secretaries at all times. The company secretaries administer, attend and prepare minutes of Board meetings, assist the Chairman in ensuring that (i) Board procedures are followed and reviewed so that the Board functions effectively; and (ii) the Group's Bye-laws and relevant rules and regulations, including requirements of the Bermuda Companies Act and the SGX-ST are complied with.

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Group.

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

Remuneration Committee

The RC comprises Mr Phuah Lian Heng, Mr Lee Joo Hai and Mr Luk Chung Po, Terence. The RC is chaired by Mr Phuah Lian Heng.

The Board has approved the written terms of reference of the RC. The functions of the RC are as follows:

a) recommending to the Board a framework of remuneration for the Board covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
b) proposing to the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;
c) determining the specific remuneration package for each Executive Director;
d) considering the eligibility of Directors for benefits under long-term incentive schemes; and
e) Considering and recommending to the Board the disclosure of details of the Group's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors required by law or by the Code.

In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Group.

The Group sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group. The remuneration paid to the Directors and Senior Executive Officers for services rendered during the financial year ended 31 December 2004 are as follows:

Remuneration Bands	Salary %	Performance Bonus %	Directors' fees %	Others %	Total %
Directors					
S$250,000 - S$500,000					
Mr Graham Francis Valentine	100	-	-	-	100
Below S$250,000					
Dr Chou Tao-Hsiung, Joseph	-	-	-	-	-
Mr Vincent Lin	-	-	-	-	-
Mr Luk Chung Po, Terence	-	-	-	-	-
Mr Lee Joo Hai	-	-	100	-	100
Mr Phuah Lian Heng	-	-	100	-	100

Remuneration Bands	Salary %	Performance Bonus %	Directors' fees %	Others %	Total %
Executive Officers					
S$250,000 – S$500,000					
Ms Felicia Choy	100	-	-	-	100
Ms Florence Tso	100	-	-	-	100
Below S$250,000					
Mr Mak Tin Sang	100	-	-	-	100
Mr Achilles Choi	100	-	-	-	100
Mr Albert Tsang	100	-	-	-	100
Mrs Candice Tsang	100	-	-	-	100

Apart from Dr Chou Tao-Hsiung, Joseph, Mr Lin Ming Sheng, Vincent and Mr Luk Chung Po, Terence, who do not receive any compensation, the remuneration of the Non-Executive Directors is in the form of a fixed fee. Such fees will be pro-rated for the financial year ended 31 December 2004. The remuneration of the Non-Executive Directors will be subject to approval at the AGM.

The Executive Director, Mr Graham Francis Valentine has a service agreement with the Group. His compensation only consists of fixed salary; he did not receive Directors' fees.

The Group does not have any employees who are relatives of a Director or substantial shareholder or the Chief Executive Officer.

Principle 11: Audit Committee
Principle 12: Internal Controls

Audit Committee ("AC")

The AC comprises Mr Lee Joo Hai, Mr Phuah Lian Heng and Mr Luk Chung Po, Terence. The AC is chaired by Mr Lee Joo Hai.

The Board has approved the written terms of reference of the AC. The AC performs the following functions:

a) reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;
b) reviewing the overall internal control system;
c) reviewing the Group's financial results and the announcements before submission to the Board for approval;
d) reviewing the assistance given by management to external auditors;
e) reviewing significant findings of internal audits;
f) considering the appointment/re-appointment of the external auditors;
g) reviewing interested person transactions; and
h) other functions as required by law or the Code.

The AC meets periodically and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

During the financial year, the AC has met 2 times to discuss and review the audit plans and the audit reports.

The AC has been given full access to and is provided with the co-operation of the Group's management. In addition, the AC has independent access to both internal and external auditors. The AC meets with the external auditors without the presence of management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the volume of non-audit services provided to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

The Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business environment.

Principle 13: Internal Audit

The Board recognizes the importance of the internal audit function and Horwath Hong Kong CPA Limited has been appointed as the internal auditors of the Group.

The AC will review the internal audit program, the scope and results of internal audit procedures and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

Principle 10: Accountability and Audit

In presenting the annual and quarterly financial statements for announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensive assessment of the Group's performance, position and prospects.

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

Principle 14: Communication with Shareholders
Principle 15: Greater Shareholder Participation

The Group recognizes that effective communication can highlight transparency and enhance accountability to its shareholders. The Group provides information to its shareholders via SGXNET announcements and news releases. Such information is available on the Group's website www.armarda.com. The Group ensures that price-sensitive information is publicly released, and is announced within the mandatory period.

All shareholders of the Group will receive the Annual Report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on SGXNET. The Group encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Group ensures that there are separate resolutions at general meetings on each distinct issue.

The Group's Bye-laws allows a shareholder of the Group to appoint one or two proxies to attend and vote at general meetings. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders.

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreement between the Executive Director and the Group, there are no material contracts entered into by the Group or its subsidiaries and in which the Chief Executive Officer or any Director or controlling shareholders were interested subsisting at the end of the financial year ended 31 December 2004.

Risk Management
(Listing Manual Rule 1207(4)(d))

The Group does not have a Risk Management Committee. However, the management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are found on page 48 of the Annual Report.

Armarda Employee Share Option Scheme ("ESOS")
(Listing Manual Rule 852(1))

The ESOS is administered by the Remuneration Committee comprising Mr Phuah Lian Heng, Mr Lee Joo Hai and Mr Luk Chung Po, Terence. There was no Employee Share Option granted during the financial year ended 31 December 2004.

Dealings in Securities
(Listing Manual Rule 710(2))

Directors, management and officers of the Group are not permitted to deal in the Group's shares during the periods commencing two weeks before the announcement of the Group's financial statements for each of the first three quarters of its financial year, or one month before the financial year end, as the case may be, and ending on the date of announcements of relevant results, or when they are in possession of unpublished price-sensitive information on the Group. To provide further guidance to employees on dealings in the Group's shares, the Group has adopted its own code of best practices on securities transactions. The code of best practices on securities transactions is modeled after the best practices guide. The Group has complied with the best practices guide issued by the SGX-ST.

Interested Person Transactions
(Listing Manual Rule 907)

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Group and its minority shareholders.

There was no transaction with interested persons during the financial year ended 31 December 2004 that exceeded the stipulated thresholds as specified in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the financial year ended 31 December 2004.

1. DIRECTORS AT DATE OF REPORT

The directors of the company in office at the date of this report are:

Dr Chou Tao-Hsiung, Joseph (Non-executive Chairman)
Luk Chung Po, Terence (Non-executive Vice-Chairman)
Lin Ming Sheng, Vincent (Non-executive Director)
Graham Francis Valentine (Chief Executive Officer)
Lee Joo Hai (Independent Director)
Phuah Lian Heng (Independent Director)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures of the company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Particulars of interests of directors, who held office at the end of the financial year, in shares and convertible securities of the Company are as follows:

	Shareholdings registered in the name of the directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
	Number of ordinary shares of HK$0.10 each in the Company	Number of ordinary shares of HK$0.20 each in the Company	Number of ordinary shares of HK$0.10 each in the Company	Number of ordinary shares of HK$0.20 each in the Company
Dr Chou Tao-Hsiung, Joseph	-	887,626	-	-
Luk Chung Po, Terence	-	8,876,255	-	49,618,269
Lin Ming Sheng, Vincent	-	887,626	-	6,124,617
Graham Francis Valentine	-	2,884,783	-	-
Lee Joo Hai	-	-	-	-
Phuah Lian Heng	-	-	-	-

The directors' interests as at January 21, 2005 were the same as those at the end of the year.

4. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except in respect of remuneration as disclosed in the financial statements.

5. OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6. OPTIONS EXERCISED

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTIONS

At the end of the financial year, there were no unissued shares of the Company or any corporation in the group under option.

8. AUDIT COMMITTEE

The Company has complied with the Code of Corporate Governance issued by the Corporate Governance Committee with respect to Audit Committee.

The Audit Committee was formed by the Board of Directors on 12 April 2004 and comprises three non-executive directors. The members of the Committee are:

Lee Joo Hai (Chairman)
Phuah Lian Heng
Luk Chung Po, Terence

Functions and responsibilities of the Audit Committee as detailed in its Terms of Reference are set out in the Corporate Governance section of the annual report.

The Audit Committee has recommended to the Board of Directors the nomination of KPMG, Hong Kong as auditors of the Company for the following financial year to be approved by the shareholders at the forthcoming Annual General Meeting.

9. DEVELOPMENT SUBSEQUENT TO ANNOUNCEMENT OF RESULTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 28 February 2005, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

10. AUDITORS

The auditors, KPMG, Hong Kong have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Dr Chou Tao-Hsiung, Joseph
Chairman

Graham Francis Valentine
Director and Chief Executive Officer

28 February 2005

STATEMENT BY THE DIRECTORS

In the opinion of the directors, the accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2004, and the results, changes in equity and cash flows of the Group and the changes in equity of the company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorize these financial statements for issue.

On behalf of the Board of Directors

Dr Chou Tao-Hsiung, Joseph
Chairman

Graham Francis Valentine
Director and Chief Executive Officer

28 February 2005

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INDEPENDENT AUDITORS' REPORT

To the shareholders of
Armarda Group Limited
(*Incorporated in Bermuda with limited liability*)

We have audited the accompanying financial statements on pages 27 to 49 which have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the basis of preparation set out in note 3 to the financial statements. These financial statements are the responsibility of the directors of the Company.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing promulgated by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Company's directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss of the Company and, the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

KPMG
Certified Public Accountants
Hong Kong, 28 February 2005

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004
(Expressed in Hong Kong dollars)

	Note	The Group		The Company	
					Period from 13 August 2003 (date of incorporation) to 31 December
		2004	2003	2004	2003
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating revenue					
Revenue	4	50,746	8,276	-	-
Other income	4	8,550	-	-	-
		59,296	8,276	-	-
Less:					
Operating expenses					
Staff costs	5	18,383	5,911	348	-
Depreciation		2,463	269	-	-
Other operating expenses	5	13,918	5,338	403	-
		34,764	11,518	751	-
Profit/(loss) from operations		24,532	(3,242)	(751)	-
Finance costs	5	(31)	-	-	-
Profit/(loss) from ordinary activities before taxation	5	24,501	(3,242)	(751)	-
Taxation	6	(50)	-	-	-
Net profit/(loss) for the year /period		24,451	(3,242)	(751)	-
Basic earnings/(loss) per share	7	9.26 cents	(1.43) cents	N/A	N/A
Diluted earnings per share	7	N/A	N/A	N/A	N/A

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2004
(Expressed in Hong Kong dollars)

	Note	The Group		The Company	
		2004	2003	2004	2003
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment in subsidiaries	8	-	-	45,446	-
Property, plant and equipment	9	21,749	1,369	-	-
Other assets	10	748	-	-	-
		22,497	1,369	45,446	-
Negative goodwill	11	(11,343)	-	-	-
		11,154	1,369	45,446	-
Current assets					
Trade and other receivables	12	43,022	12,673	160	-
Amount due from a subsidiary	13	-	-	59,141	-
Amount due from related party	14	-	3,749	-	-
Cash and cash equivalents	15	72,956	1,423	-	-
		115,978	17,845	59,301	-
Current liabilities					
Secured bank loan	16	59	-	-	-
Obligations under finance lease	17	75	-	-	-
Trade and other payables	18	3,801	1,285	34	-
Taxation payable		187	187	-	-
		4,122	1,472	34	-
Net current assets		111,856	16,373	59,267	-
Non-current liabilities					
Secured bank loan	16	140	-	-	-
Obligations under finance lease	17	295	-	-	-
Deferred tax liabilities	19	50	-	-	-
		485	-	-	-
Net assets		122,525	17,742	104,713	-
Shareholders' equity					
Share capital	20	57,446	20,000	57,446	-
Reserves	21	65,079	(2,258)	47,267	-
		122,525	17,742	104,713	-

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2004
(Expressed in Hong Kong dollars)

	Note	2004 *HK$'000*	2003 *HK$'000*
Operating activities			
Profit/(loss) from ordinary activities before taxation		24,501	(3,242)
Finance costs		31	-
Interest income		(806)	-
Depreciation		2,463	269
Negative goodwill recognised		(7,704)	-
Amortisation of negative goodwill		(810)	-
Loss on disposal of property, plant and equipment		11	-
Foreign exchange loss		203	-
Operating profit/(loss) before changes in working capital		17,889	(2,973)
Changes in working capital			
Increase in trade and other receivables		(9,604)	(9,384)
Increase in trade and other payables		885	1,285
Cash generated from/(used by) operations		9,170	(11,072)
Interest received		806	-
Interest paid		(31)	-
Net cash inflow/(outflow) from operating activities		9,945	(11,072)
Investing activities			
Additions of property, plant and equipment		(10,827)	(1,621)
Additions of other assets		(237)	-
Payment of refundable investment deposit		(17,000)	-
Proceeds from disposal of property, plant and equipment		132	-
Net cash inflow from acquisition of Armarda Zhuhai	24	2,545	-
Decrease/(increase) in amount due from related party		3,749	(2,627)
Net cash outflow from investing activities		(21,638)	(4,248)
Financing activities			
Repayment of finance lease obligations		(37)	-
Repayment of bank loan		(44)	-
Capital contributions		20,000	20,000
Issue of shares		73,375	-
Payment of share listing expenses		(10,068)	(3,289)
Net cash inflow from financing activities		83,226	16,711
Net increase in cash and cash equivalents		71,533	1,391
Cash and cash equivalents at beginning of the year		1,423	32
Cash and cash equivalents at end of the year		72,956	1,423
An analysis of cash and cash equivalents is as follows:			
Deposits with banks		53,396	-
Cash at bank and in hand		19,560	1,423
		72,956	1,423

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2004
(Expressed in Hong Kong dollars)

	HK$'000
Balance at 1 January 2003	984
Capital contributions	20,000
Net loss for the year	(3,242)
Balance at 31 December 2003	17,742
Capital contributions	20,000
Issue of shares, net of share issue expenses	60,018
Net profit for the year	24,451
Exchange differences on translation of financial statements of foreign entities	314
Balance at 31 December 2004	122,525

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the board of directors on 28 February 2005.

1. The Company

The Company was incorporated on 13 August 2003 in Bermuda with limited liability. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 8 to the financial statements. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company was admitted to the Official List of the SGX-ST Dealing and Automated Quotation System ("SGX-SESDAQ") on 21 May 2004.

2. Restructuring exercise

The Company was incorporated on 13 August 2003 in Bermuda with an authorised share capital of HK$100,000 divided into 1,000,000 ordinary shares of HK$0.10 each, as the investment holding company of the Group. Pursuant to a restructuring exercise (the "Restructuring Exercise") undertaken by the Group in preparation for the listing of the Company on SGX-SESDAQ, on 12 April 2004, the Company acquired from Compelling Vision Technology Limited ("Compelling Vision") and GC&C Holdings Limited ("GC&C"), the entire issued and paid-up share capital of Armarda Holdings Limited ("AHL"), comprising 40,000,018 ordinary shares of HK$1.00 each, with all rights and benefits attaching thereto with effect from 1 January 2004, for an aggregate consideration of HK$45,446,428 (which was determined based on the net asset value of AHL). The consideration was satisfied by:

(i) the allotment and issue of 226,232,140 and 227,232,140 new ordinary shares of HK$0.10 each in the capital of our Company, credited as fully paid, at par value, to Compelling Vision and GC&C respectively; and

(ii) the transfer of 1,000,000 nil paid ordinary shares of HK$0.10 from Chong Tin Yam, Alex to Compelling Vision, credited as fully paid, at par value.

Subsequent to the above acquisition, every two existing ordinary shares of HK$0.10 each in the authorised and issued share capital of the Company were consolidated into one ordinary share of HK$0.20 each on 12 April 2004.

Further details of the Restructuring Exercise are set out in the Company's prospectus dated 11 May 2004.

3. Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including related interpretations promulgated by the International Accounting Standards Board ("IASB").

3. Significant accounting policies (cont'd)

(b) Basis of preparation

The financial statements are presented in Hong Kong dollars, rounded to the nearest thousand. They are prepared on the historical cost basis. The accounting policies set out below have been consistently applied by the Group and the Company and are consistent with those used in the previous year.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements have been prepared by adopting the pooling of interests method of accounting for acquisitions of subsidiaries under common control, which were undertaken by the Company pursuant to the Restructuring Exercise. Under this method, the Company has been treated as the holding company of the subsidiaries under common control for the financial years presented rather than from the date of acquisition of such subsidiaries. Accordingly, the consolidated results of the Group for the years ended 31 December 2003 and 2004 include the results of the Company and the subsidiaries under common control with effect from 1 January 2003 or since their respective dates of incorporation, where there is a shorter period. The comparative consolidated balance sheet as at 31 December 2003 is a combination of all the financial statements of the subsidiaries under common control.

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Acquisitions of subsidiaries which are under common control are accounted for in the consolidated financial statements using the historical cost basis. All other acquisitions of subsidiaries are accounted for in the consolidated financial statements using the purchase method of accounting (see also note 11).

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

(d) Negative goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is presented as a deduction from assets in the same balance sheet classification as goodwill.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable/ amortisable. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised in the income statement immediately.

3. Significant accounting policies (cont'd)

(e) *Foreign currencies*

(i) 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. Exchange differences arising on translation are recognised in the income statement.

(ii) 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 translation are recognised directly in equity.

(f) *Property, plant and equipment*

(i) Owned assets

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see below) and impairment losses (note 3(j)).

(ii) Leased assets

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment loss (note 3(j)). Lease payments are accounted for as described below.

Amounts payable in respect of finance leases are apportioned between interest charges and reductions of obligations based on the interest rates implicit in the leases. Interest charges are included in the income statement to provide a constant periodic rate of charge over the lease term.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

3. Significant accounting policies (cont'd)

(f) Property, plant and equipment(cont'd)

(iv) 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
Computer application systems	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

(g) Other assets

Other asset which represents transferable club memberships are stated at cost less any impairment losses (note 3(j)).

(h) Trade and other receivables

Trade and other receivables are stated at cost less allowances for doubtful debts.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment loss

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of that specific event.

3. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised at cost.

(m) Employee benefits

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

The equivalent cost of employee's entitlements to annual leave untaken as at the end of each financial year is accrued for and charged to the income statement in the period in which the related employment services are rendered.

(n) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (cont'd)

(p) Revenue recognition

(i) Provision of services

Revenue from the provision of services is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the services performed to date as a percentage of total services to be performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(iii) Licence fee income

Fees received and receivable from customers for the licensed uses of the Group's computer application systems are recognised as income on an accrual basis in accordance with the substance of the relevant licence agreements.

(q) Finance costs

Finance costs comprise interest payable on borrowings and the interest expense component of finance lease payments, which are recognised in the income statement using the effective interest rate method.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, borrowings and expenses, and corporate assets and expenses.

(s) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

4. Revenue and segment reporting

The Group operates principally as a single business segment for the provision of IT consulting, IT support and business transformation services to customers in the People's Republic of China ("PRC") and other Asian countries. Revenue represents the income received and receivable from the provision of services and ancillary activities including the licensing of computer application system.

In October 2004, the Group received non-refundable lump sum licence fees totalling HK$1,600,000 from two independent customers for the licensed uses of a computer application system of the Group for a period of eight years. The Group has recognised the lump sum licence fees as income upon the customers' acceptance of the licensed system, as the Group has no substantial remaining obligations to perform in accordance with the terms of the licence agreements.

Other income of the Group comprises:

	2004	2003
	HK$'000	*HK$'000*
Negative goodwill recognised immediately upon acquisition of Armarda Zhuhai (note 11)	7,704	-
Interest income	806	-
Others	40	-
	8,550	-

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical presence of the customers. Segment capital expenditures and assets are based on the geographical location of the assets. Geographical information about the Group's operating revenue, capital expenditures and assets is as follows:

	2004	2003
	HK$'000	*HK$'000*
Operating revenue		
PRC	55,566	6,803
Hong Kong	1,712	350
Taiwan	1,076	972
Singapore	942	151
	59,296	8,276
Capital expenditures		
PRC	19,449	-
Hong Kong	4,161	1,379
Singapore	14	242
	23,624	1,621

Note: Capital expenditures comprise additions to property, plant and equipment and other assets.

	2004	2003
Segment assets		
PRC	97,596	6,603
Hong Kong	27,701	10,382
Singapore	1,835	2,229
	127,132	19,214

5. Profit/ (loss) from ordinary activities before taxation

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

		The Group		The Company	
					Period from 13 August 2003 (date of incorporation) to 31 December
		2004	2003	2004	2003
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(a)	Staff costs				
	Salaries and allowances	17,662	5,756	348	-
	Contributions to defined contribution retirement plans	430	143	-	-
	Other welfare and benefits	291	12	-	-
		18,383	5,911	348	-
	Remuneration of directors included in staff costs:				
	- Directors of the Company	2,086	455	348	-
	- Other directors	3,471	1,781	-	-
	Number of employees as at the year end	109	22	2	-
(b)	Other operating expenses				
	Non-audit fees paid to:				
	- auditors of the Company	39	-	-	-
	- other auditors	-	-	-	-
	Consultancy fees	1,418	819	-	-
	Operating lease charges inrespect of properties	2,333	569	-	-
	Promotion and marketing expenses	1,655	309	-	-
	Travelling expenses	5,349	1,911	59	-
	Amortisation of negative goodwill (note 11)	(810)	-	-	-
	Loss on disposal of property, plant and equipment	11	-	-	-
	Others	3,923	1,730	344	-
		13,918	5,338	403	-
(c)	Finance costs				
	Interest expense on				
	- bank loan	21	-	-	-
	- finance lease obligations	10	-	-	-
		31	-	-	-

6. Taxation

(a) Taxation in the income statement represents:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Current tax	-	-
Deferred taxation	50	-
	50	-

(b) Reconciliation of effective tax rate:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Consolidated profit/(loss) before taxation	24,501	(3,242)
Applicable tax rate	17.5%	17.5%
Expected taxation	4,288	(568)
Adjustments:		
Tax rate differential of subsidiaries	(836)	(74)
Tax exemption available to Armarda Zhuhai	(4,017)	-
Tax effect of non-taxable income, net of non-deductible expenses	(718)	-
Tax losses not recognised	1,333	642
	50	-

The Group's profits derived in Hong Kong are subject to Hong Kong profits tax at 17.5% (2003: 17.5%). No provision for Hong Kong profits tax was made as the Group sustained losses for Hong Kong profits tax purposes for the year (2003: nil).

As a foreign invested enterprise with paid-up capital of over US$5 million and engaged in the 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 and 50% exemption for the further three years with effect from January 2004. Armarda Zhuhai will be subject to PRC income tax at 15% thereafter. Consequently, the taxable profit derived by Armarda Zhuhai for the year ended 31 December 2004 is 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 during the year (2003: nil).

7. Earnings per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings / (loss) per share is based on the Group's profit attributable to shareholders of HK$24,451,000 (2003: loss of HK$3,242,000) and the weighted average of 264,117,000 (2003: 227,232,000) ordinary shares in issue during the year, calculated based on the assumption that the Restructuring Exercise had been completed on 1 January 2003.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the year and therefore diluted earnings per share are not presented.

8. Investment in subsidiaries

	The Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost	45,446	-

Particulars of the subsidiaries are set out below:

Name of subsidiary	Principal activities	Date and place of incorporation	Effective interest held by the Group
Armarda Holdings Limited (i)	Investment holding	5 May 2003 British Virgin Islands ("BVI")	100%
Armarda Technology Services Limited (i)	Investment holding	29 November 2001 BVI	100%
Armarda International Inc. (i)	Intellectual property holding	25 June 2003 BVI	100%
Armarda Technology (Zhuhai) Limited (ii)	Provision of IT consulting, IT support and business transformation services	28 March 2003 The PRC	100%
Armarda Technology (Hong Kong) Limited (iii)	Provision of IT consulting, IT support and business transformation services	17 March 2003 HongKong	100%
Armarda Technology (Singapore) Pte. Ltd. (iv)	Provision of IT consulting, IT support and business transformation services	14 May 2003 Republic of Singapore	100%

8. Investment in subsidiaries (cont'd)

(i) The financial statements of Armarda Holdings Limited, Armarda Technology Services Limited and Armarda International Inc. are not required to be audited under the laws of the British Virgin Islands, their country of incorporation.

(ii) Armarda Technology (Zhuhai) Limited is a wholly foreign invested enterprise established in the PRC and its statutory financial statements were audited by Zhuhai Lixin Partnership Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants.

(iii) The statutory financial statements of Armarda Technology (Hong Kong) Limited were audited by KPMG Hong Kong, a firm of Certified Public Accountants under Section 28A of the Professional Accountants Ordinance, Chapter 50.

(iv) The statutory financial statements of Armarda Technology (Singapore) Pte. Ltd. were audited by KPMG Singapore, Certified Public Accountants, a member of the Institute of Certified Public Accountants of Singapore.

9. Property, plant and equipment

The Group

	Leasehold properties	Leasehold improvements	Computer application systems	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2004	-	533	-	754	356	1,643
Additions						
- through acquisition of Armarda Zhuhai	7,843	1,652	-	1,516	631	11,642
- others	-	387	9,870	524	453	11,234
Disposals	-	-	-	(183)	-	(183)
Exchange adjustments	74	16	-	14	6	110
At 31 December 2004	7,917	2,588	9,870	2,625	1,446	24,446
Accumulated depreciation						
At 1 January 2004	-	154	-	68	52	274
Charge for the year	370	689	691	484	229	2,463
Written back on disposal	-	-	-	(40)	-	(40)
At 31 December 2004	370	843	691	512	281	2,697
Net book value						
At 31 December 2004	7,547	1,745	9,179	2,113	1,165	21,749
At 31 December 2003	-	379	-	686	304	1,369

As at 31 December 2004, a motor vehicle with net book value of HK$298,000 (2003: nil) was pledged as security for a bank loan (note 16).

As at 31 December 2004, the net book value of a motor vehicle held under a finance lease amounted to HK$415,000 (2003: nil).

10. Other assets

Other assets comprised the costs of transferable club memberships.

11. Negative goodwill

In January 2004, the Group acquired a 100% equity interest in Armarda Technology (Zhuhai) Limited ("Armarda Zhuhai") at an aggregate cash consideration of RMB20,000,000 (equivalent HK$18,692,000) from independent vendors, Mr Richard Gao and Mr Wen Feng. Prior to the acquisition, Armarda Zhuhai was 90% and 10% owned by Mr Gao and Mr Wen, 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. 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 (note 4). 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 movements in negative goodwill recorded in the consolidated balance sheet are analysed below:

	The Group *HK$'000*
Gross amount:	
Addition resulting from acquisition of Armarda Zhuhai	12,153
Balance at 31 December 2004	12,153
Accumulated amortisation:	
Amortisation for the year (note 5(b))	810
Balance at 31 December 2004	810
Carrying amount:	
Balance at 31 December 2004	11,343
Balance at 31 December 2003	-

In March 2004, the IASB issued IFRS 3 "Business Combinations". Except for the limited retrospective application as permitted by IFRS 3, 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. The Group intends to apply IFRS 3 in its forthcoming annual financial statements for the year ending 31 December 2005. The directors believe that the adoption of IFRS 3 will not have a material adverse effect on the Group's financial position or operating results.

12. Trade and other receivables

	The Group		The Company	
	2004	2003	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	17,828	7,051	-	-
Accrued services revenue	4,116	-		
Refundable acquisition deposit	17,000	-	-	-
Other prepayments and receivables	4,078	5,622	160	-
	43,022	12,673	160	-

In December 2004, the Group entered into a memorandum of understanding for the proposed acquisition of a minority equity interest in a corporation which, through its subsidiary, is engaged in the trading and distribution of banking self-service equipment, hardware and proprietary software products and provision of systems integration services and after-sale system maintenance services in the PRC. As of the date of issue of these financial statements, the Group is in the process of negotiation for the proposed acquisition.

In connection with the proposed acquisition, the Group placed a refundable deposit of HK$17,000,000 with the vendor as at 31 December 2004.

All of the trade and other receivables are expected to be recovered within one year.

13. Amount due from a subsidiary

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

14. Amount due from related party

The amount due from related party represented advances made which were unsecured, interest-free and repayable on demand. The amount due from related party of HK$3,749,000 at 31 December 2003 was subsequently settled in February 2004.

15. Cash and cash equivalents

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Deposits with banks	53,396	-
Cash at bank and in hand	19,560	1,423
	72,956	1,423

As at 31 December 2004, the effective interest rate of cash and cash equivalents was 1.68% (2003: 0.1%) per annum. The interest rate is repriceable as and when noticed by the banks.

16. Secured bank loan

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Secured bank loan:		
Repayable within one year	59	-
Repayable after one year but within 5 years	140	-
	199	-

As at 31 December 2004, the bank loan was secured by a charge over a motor vehicle of the Group (note 9). This loan carried interest at a fixed rate of 5% per annum.

17. Obligations under finance lease

As at 31 December 2004, the Group had obligations under a finance lease that are repayable as follows:

	Present value of minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*
Repayable within 1 year	75	17	92
Repayable after 1 year but within 5 years	295	27	322
	370	44	414

No contingent rents are payable under the terms of the finance lease. The finance lease carried an implicit fixed interest rate of 5% per annum.

18. Trade and other payables

	The Group		The Company	
	2004	2003	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	383	-	-	-
Other payables and accruals	3,418	1,285	34	-
	3,801	1,285	34	-

19. Deferred tax liabilities

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Differences between depreciation allowances and the related depreciation	Future benefit of tax losses	Total
The Group	*HK'000*	*HK'000*	*HK'000*
Balance at 1 January 2003	-	-	
Charged/(credited) to the consolidated income statement	513	(463)	50
Balance at 31 December 2004	513	(463)	50

19. Deferred tax liabilities (cont'd)

The Group has not recognised deferred tax assets in respect of tax losses totalling HK$10,075,000 (2003: HK$3,411,000) incurred by the Group's operations in Hong Kong and Singapore, as their utilisation in the foreseeable future cannot be reasonably ascertained. Such tax losses do not have an expiry date under the current tax laws in the relevant jurisdictions.

There were no material unprovided deferred tax liabilities as at 31 December 2004.

20. Share capital

(a) The Company

	2004	2003
	HK$'000	*HK$'000*
Authorised:		
900,000,000 ordinary shares of HK$0.20 each		
(2003: 1,000,000 ordinary shares of HK$0.10 each)	180,000	100
Issued and fully paid:		
287,232,140 ordinary shares of HK$0.20 each (2003: nil)		
(2003: 1,000,000 ordinary shares of HK$0.10 each nil paid)	57,446	-

The following is a summary of movements in the authorised and issued share capital of the Company:

	Note	Number of ordinary shares of HK$0.10 each	Number of ordinary shares of HK$0.20 each	
Authorised:				*HK'000*
Authorised share capital on incorporation	(a)	1,000,000	-	100
Balance at 31 December 2003		1,000,000	-	100
Balance at 1 January 2004		1,000,000	-	100
Creation of additional authorised share capital	(b)	1,799,000,000	-	179,900
Consolidation of every two ordinary shares into one ordinary share	(d)	(1,800,000,000)	900,000,000	-
Balance at 31 December 2004		-	900,000,000	180,000
Issued and fully paid:				
Ordinary shares issued on incorporation	(a)	1,000,000	-	-
Balance at 31 December 2003		1,000,000	-	-
Balance at 1 January 2004		1,000,000	-	-
Ordinary shares issued nil paid on incorporation and additional ordinary shares issued in April 2004, all being credited as fully paid as consideration for acquisition of entire issued share capital of AHL	(c)	453,464,280	-	45,446
Share consolidation	(d)	(454,464,280)	227,232,140	-
		-	227,232,140	45,446
New shares issued for public subscription	(e)	-	60,000,000	12,000
Balance at 31 December 2004		-	287,232,140	57,446

20. Share capital (cont'd)

(a) The Company (cont'd)

During the period from 13 August 2003 (date of incorporation) to 31 December 2004, the following changes in the Company's authorised and issued share capital were recorded:

(a) On 13 August 2003 (date of incorporation), the Company had an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each. On the same date, 1,000,000 nil paid ordinary shares of HK$0.10 each in the share capital of the Company were allotted and issued.

(b) On 12 April 2004, the authorised share capital of the Company was increased from HK$100,000 to HK$180,000,000 by the creation of an additional 1,799,000,000 shares of HK$0.10 each.

(c) On 12 April 2004, pursuant to the Restructuring Exercise, an aggregate of 1,000,000 nil paid ordinary shares of HK$0.10 were credited as fully paid; and 453,464,280 new ordinary shares of HK$0.10 each were allotted and issued and credited as fully paid, to Compelling Vision and GC&C, in consideration for the acquisition of the entire issued share capital of AHL.

(d) On 12 April 2004, every two existing ordinary shares of HK$0.10 each in the authorised and issued share capital of the Company were consolidated into one ordinary share of HK$0.20 each.

(e) On 21 May 2004, 60,000,000 new ordinary shares of HK$0.20 each were issued to the public at S$0.27 each for a total cash consideration of S$16,200,000 (equivalent HK$73,375,000), before share issue expenses of S$2,949,000 (equivalent HK$13,357,000).

(b) The Group

The share capital of the Group at 31 December 2003 of HK$20,000,000 represented the capital contributed in cash by the Company's shareholders into the Group up to 31 December 2003. In February 2004, additional capital in cash amounting to HK$20,000,000 was contributed by the Company's shareholders into the Group. All such capital contributions were swapped into the issued share capital of the Company pursuant to the Restructure Exercise described above.

21. Reserves

The Group

	Note	Share premium	Exchange reserve	PRC statutory reserve	Retained profits/ (accumulated losses)	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 January 2003		-	-	-	984	984
Net loss for the year		-	-	-	(3,242)	(3,242)
Balance as at 31 December 2003		-	-	-	(2,258)	(2,258)
Balance as at 1 January 2004		-	-	-	(2,258)	(2,258)
Capitalisation	(a)	-	-	-	(5,446)	(5,446)
New shares issued for public subscription		61,375	-	-	-	61,375
Share issue expenses	(b)	(13,357)	-	-	-	(13,357)
Net profit for the year		-	-	-	24,451	24,451
Appropriation to reserve	(c)	-	-	2,678	(2,678)	-
Exchange difference on translation of financial statements of foreign entities	(d)	-	314	-	-	314
Balance as at 31 December 2004		48,018	314	2,678	14,069	65,079

Notes:

(a) The amount represented the Group's retained earnings capitalised for the Company's issue of shares to the shareholders of AHL pursuant to the Restructuring Exercise.

(b) The share issue expenses of the Group and of the Company included professional service fees of approximately HK$2,367,000 paid to the auditors and reporting accountants in connection with the issue of the Company's shares to the public.

(c) In accordance with the relevant PRC laws applicable to enterprises with foreign investment, Armarda Zhuhai is required to transfer at least 10% of its annual net profit determined under PRC accounting regulations to the general reserve. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.

(d) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operations of the Company.

The Company

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance as at 1 January 2003	-	-	-
Net loss for the year	-	-	-
Balance as at 31 December 2003	-	-	-
Balance as at 1 January 2004	-	-	-
New shares issued for public subscription	61,375	-	61,375
Share issue expenses	(13,357)	-	(13,357)
Net loss for the year	-	(751)	(751)
Balance as at 31 December 2004	48,018	(751)	47,267

22. Financial instruments and concentration of risks

The Group's financial assets comprise mainly trade receivables, deposits and other receivables, and cash and cash equivalents. The Group's financial liabilities comprise mainly trade and other payables and secured bank loan.

(a) Interest rate risk

The interest rate and maturity of the secured bank loan are disclosed in note 16.

(b) Credit risk

The cash and cash equivalents of the Group represent deposits and cash accounts with banks in Hong Kong, the PRC and Singapore. The carrying amounts of trade receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk. No other financial assets carry a significant exposure to credit risk.

(c) Business risk

The Group's principal market is concentrated on enterprises operating in the PRC banking and financial service sector which accounted for a significant proportion of the Group's total operating revenue for the year. Accordingly, the Group's operating results and financial position could be significantly affected by any material changes in the business environment of the PRC banking and financial service sector.

(d) Foreign exchange risk

The Group incurs foreign currency risk on collection of service revenue and making of operating expenditure payments that are denominated in currencies other than Hong Kong dollars. The currency giving risk to this risk is primarily the Renminbi, which is not freely convertible into foreign currencies. Currently, all foreign exchange transactions in the PRC take place either through the People's Bank of China or other institutions authorised to buy and sell foreign currencies. Approval of foreign currency payments by the People's Bank of China or other authorised institutions requires submission of a payment application form together with the relevant supporting documentation.

The Group reviews its foreign currency exposures regularly and does not consider its present foreign exchange risk to be significant.

(e) Fair values

The fair values of cash and cash equivalents, trade receivables, deposits and other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of secured bank loan approximates its carrying amount.

23. Commitments

(a) Operating lease commitments

Future minimum lease payments under non-cancellable operating leases in respect of properties with terms over one year are as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Payable as follows:		
- within 1 year	793	727
- after 1 year but within 5 years	263	649
	1,056	1,376

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease upon expiry when all terms are renegotiated. No contingent rents are payable.

(b) Capital commitments

The capital commitments of the Group are as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Authorised and contracted for	-	1,395

24. Supplementary cash flow information

The cash flow effect of acquisition of Armarda Zhuhai is set out below:

	The Group
	2004
	HK$'000
Property, plant and equipment	11,642
Other assets	511
Trade and other receivables	13,637
Cash and cash equivalents	21,237
Secured bank loan	(243)
Trade and other payables	(8,235)
Net identifiable assets and liabilities acquired	38,549
Negative goodwill on acquisition	(19,857)
Consideration paid, satisfied in cash	18,692
Cash and cash equivalents acquired	21,237
Net cash inflow from acquisition of Armarda Zhuhai	2,545

SHAREHOLDERS' INFORMATION

As At 8 March 2005

SHARE CAPITAL

Authorised share capital	:	HK$180,000,000
Issued and fully paid-up share capital	:	HK$57,446,428
Class of shares	:	Ordinary shares of HK$0.20 each
Voting rights	:	On a show of hands - 1 vote for each shareholder
	:	On a poll - 1 vote for each ordinary share

PUBLIC SHAREHOLDERS

Based on information available to the Company as at 8 March 2005, 20.89% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.15	251	0.00
1,000 - 10,000	755	56.73	2,619,000	0.91
10,001 - 1,000,000	550	41.32	53,687,431	18.69
1,000,001 and above	24	1.80	230,925,458	80.40
	1,331	100.00	287,232,140	100.00

TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Compelling Vision Technology Limited	44,381,277	15.45
2	Citibank Nominees Singapore Pte Ltd	40,541,314	14.11
3	UOB Kay Hian Private Limited	35,934,219	12.51
4	GC&C Holdings Limited	22,190,639	7.73
5	DBS Vickers Securities (S) Pte Ltd	17,993,009	6.26
6	Luk Chung Po, Terence	8,876,255	3.09
7	Capitol Hill Technology Partners Limited	8,667,802	3.02
8	Kim Eng Securities Pte. Ltd.	8,470,000	2.95
9	OCBC Securities Private Ltd	6,136,000	2.14
10	HL Bank Nominees (S) Pte Ltd	4,163,000	1.45
11	Team Vision Management Limited	3,898,492	1.36
12	Choi Ho Yan, Achilles	3,550,502	1.24
13	Mak Tin Sang	3,550,502	1.24
14	Choy Kingyee, Felicia	2,884,783	1.00
15	Graham Francis Valentine	2,884,783	1.00
16	Tso Chui Han	2,840,402	0.99
17	Petras Tsui Hin Chi	2,600,000	0.91
18	Cheng I Fen	1,775,251	0.62
19	So Siu Hang Dominic	1,775,251	0.62
20	Tsang Churk Yin Albert	1,775,251	0.62
		224,888,732	78.31

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Substantial Shareholders	No. of Shares	%	No. of Shares	%
Compelling Vision Technology Limited	44,381,277	15.45	-	-
GC&C Holdings Limited	22,190,639	7.73	22,190,638[(1)]	7.73
Peregrine Soleil Asset Holdings Ltd.	-	-	44,381,277[(2)]	15.45
Goldsun Computer and Communication Co., Ltd	-	-	44,381,277[(3)]	15.45
Taiwan Secom Co., Ltd	-	-	44,381,277[(4)]	15.45
Samuel Lin, Jr.	-	-	22,545,689 [(5)]	7.85
Leung Yee Man	-	-	22,545,689 [(6)]	7.85
Luk Chung Po, Terence	8,876,255	3.09	48,279,769 [(7)]	16.81

Notes

(1) GC&C Holdings Limited is deemed to be interested in the 22,190,638 shares held by Citibank Nominees Singapore Pte Ltd.

(2) Peregrine Soleil Asset Holdings Ltd. is deemed to be interested in the 22,190,639 shares held by GC&C Holdings Limited and 22,190,638 shares held by Citibank Nominees Singapore Pte Ltd.

(3) Goldsun Computer and Communication Co., Ltd is deemed to be interested in the 22,190,639 shares held by GC&C Holdings Limited and 22,190,638 shares held by Citibank Nominees Singapore Pte Ltd.

(4) Taiwan Secom Co., Ltd is deemed to be interested in the 22,190,639 shares held by GC&C Holdings Limited and 22,190,638 shares held by Citibank Nominees Singapore Pte Ltd.

(5) Samuel Lin, Jr. is deemed to be interested in the 8,667,802 shares held by Capitol Hill Technology Partners Limited, 5,237,343 shares held by UOB Kay Hian Private Limited and 8,640,544 shares held by Citibank Nominees Singapore Pte Ltd.

(6) Leung Yee Man is deemed to be interested in the 8,667,802 shares held by Capitol Hill Technology Partners Limited, 5,237,343 shares held by UOB Kay Hian Private Limited and 8,640,544 shares held by Citibank Nominees Singapore Pte Ltd.

(7) Luk Chung Po, Terence is deemed to be interested in the 44,381,277 shares held by Compelling Vision Technology Limited and 3,898,492 shares held by Team Vision Management Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2005 Annual General Meeting of the Company will be held at The Executive Centre, Level 14 Prudential Tower, 30 Cecil Street, Singapore 049712 on 30 April 2005 at 9:00 a.m. to transact the following business:

Ordinary Business

1. To receive and adopt the directors' report and audited financial statements for the year ended 31 December 2004 together with the auditors' report thereon.

2. To re-elect the following directors who will retire pursuant to the Bye-Laws of the Company and who, being eligible, will offer themselves for re-election:

   (a) Dr Chou Tao-Hsiung, Joseph

   (b) Mr Luk Chung Po, Terence

   Note: Mr Luk Chung Po, Terence , a member of the Audit Committee, will continue in office as a member of the Audit Committee upon his re-election as a director of the Company. Mr Luk is a non-independent director.

   (c) Mr Lin Ming Sheng, Vincent

   (d) Mr Graham Francis Valentine

   (e) Mr Lee Joo Hai

   Note: Mr Lee Joo Hai, chairman of the Audit Committee, will continue in office as chairman of the Audit Committee upon his re-election as a director of the Company.
   Mr Lee is an independent director.

   (f) Mr Phuah Lian Heng

   Note: Mr Phuah Lian Heng, a member of the Audit Committee, will continue in office as a member of the Audit Committee upon his re-election as a director of the Company.
   Mr Phuah is an independent director.

3. To consider and, if thought fit, to pass the following as an ordinary resolution, with or without modifications:

   "That the payment of S$70,250 as directors' fees for the year ended 31 December 2004 be approved, confirmed and ratified and that the directors be and are hereby authorised to fix the directors' fees for the year ending 31 December 2005." (2003: nil)

4. To re-appoint KPMG, Hong Kong as auditors and to authorise the directors to fix their remuneration.

Special Business

5. To consider and, if thought fit, to pass the following as ordinary resolutions, with or without modifications:

   (a) "That authority be and is hereby given to the directors of the Company to (i) allot and issue shares in the Company; and (ii) issue convertible securities and any shares in the Company pursuant to the convertible securities (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the directors shall in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed 50% of the issued share capital of the Company and that the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20% of the issued share capital of the Company for the time being. Unless revoked or varied by the Company in a general meeting, this resolution shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or by the Bye-Laws of the Company to be held, whichever is earlier, except that the directors shall have authority to allot and issue new shares pursuant to the convertible securities, notwithstanding that such authority has ceased. For the purposes of this resolution and pursuant to Rule 806(3) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the percentage of issued share capital is based on the issued share capital of the Company as at the date of the passing of this resolution (after adjusting for new shares arising from the conversion of convertible securities or share options on issue as at the date of the passing of this resolution and any subsequent consolidation or sub-division of shares)."

   (b) "That approval be and is hereby given to the directors of the Company or a committee of the directors to offer and grant options in accordance with the provisions of the Armarda Employee Share Option Scheme (including options over shares at an exercise price per share set at a discount to the market price of a share) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Armarda Employee Share Option Scheme, provided that the aggregate number of shares to be issued pursuant to the Armarda Employee Share Option Scheme shall not exceed 15% of the issued share capital of the Company on the day immediately preceding the relevant date of grant of the options."

6. To transact any other business that may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

MAK TIN SANG
RAYMOND TONG
JOINT COMPANY SECRETARIES

Singapore,
5 April 2005

NOTICE OF ANNUAL GENERAL MEETING

Statements Pursuant To Bye-Law 66 Of The Bye-Laws Of The Company

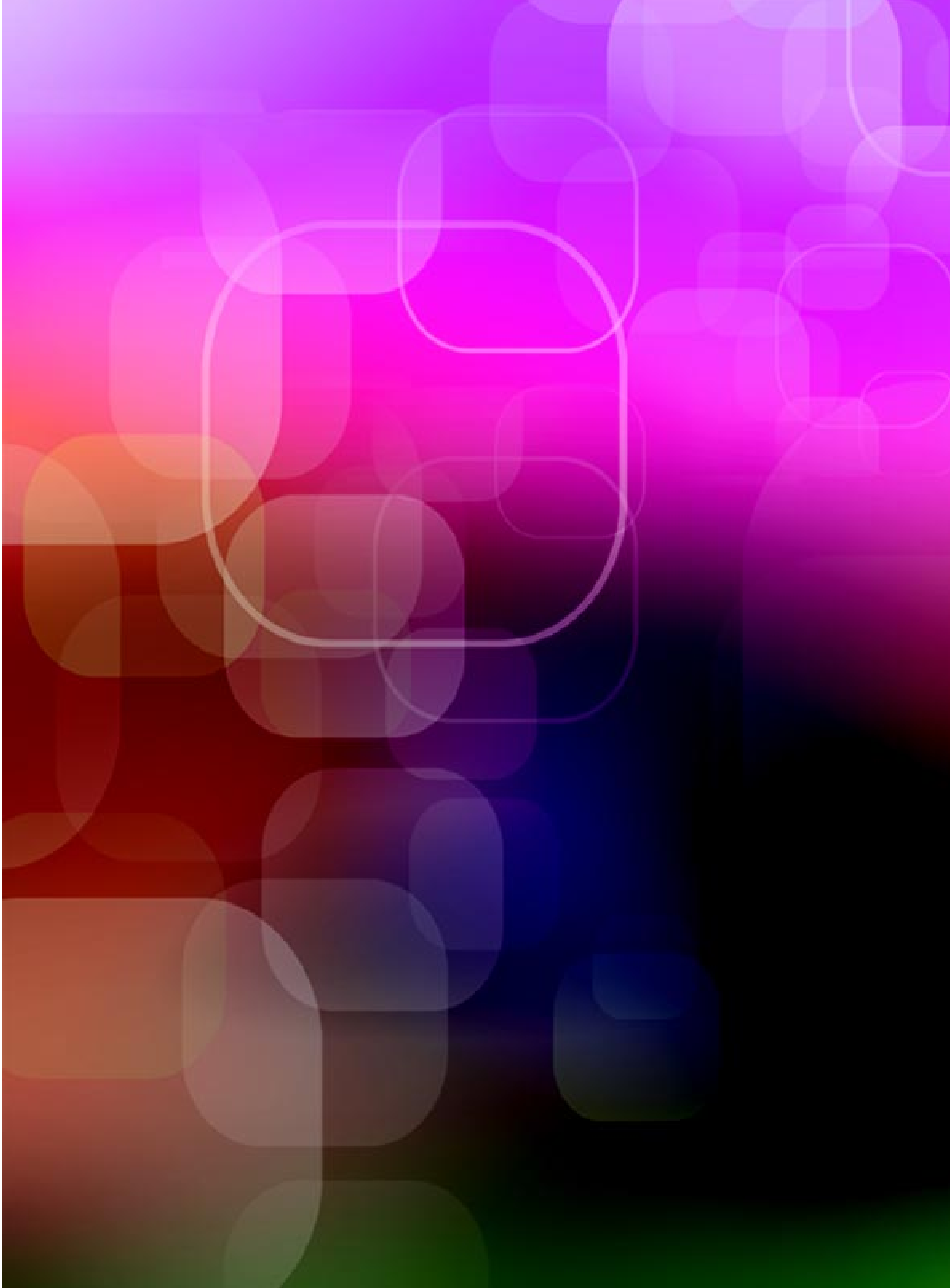
(1) The ordinary resolution set out in item no. 5(a), if passed, will empower the directors from the date of the 2005 Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the issued share capital of the Company, of which the aggregate number issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20% of the issued share capital of the Company, as more particularly set out in the resolution.

(2) The ordinary resolution set out in item no. 5(b), if passed, will empower the directors to offer and grant options and to allot and issue shares in the capital of the Company pursuant to the Armarda Employee Share Option Scheme provided that the aggregate number of shares to be issued shall not exceed 15% of the issued share capital of the Company on the day immediately preceding the relevant date of grant of the options.

Notes

(1) A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her/its stead. A shareholder who is the holder of two or more shares may appoint not more than two proxies. A proxy need not be a shareholder.

(2) The instrument appointing a proxy must be deposited at the office of the Singapore share transfer agent, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time appointed for holding the meeting.



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