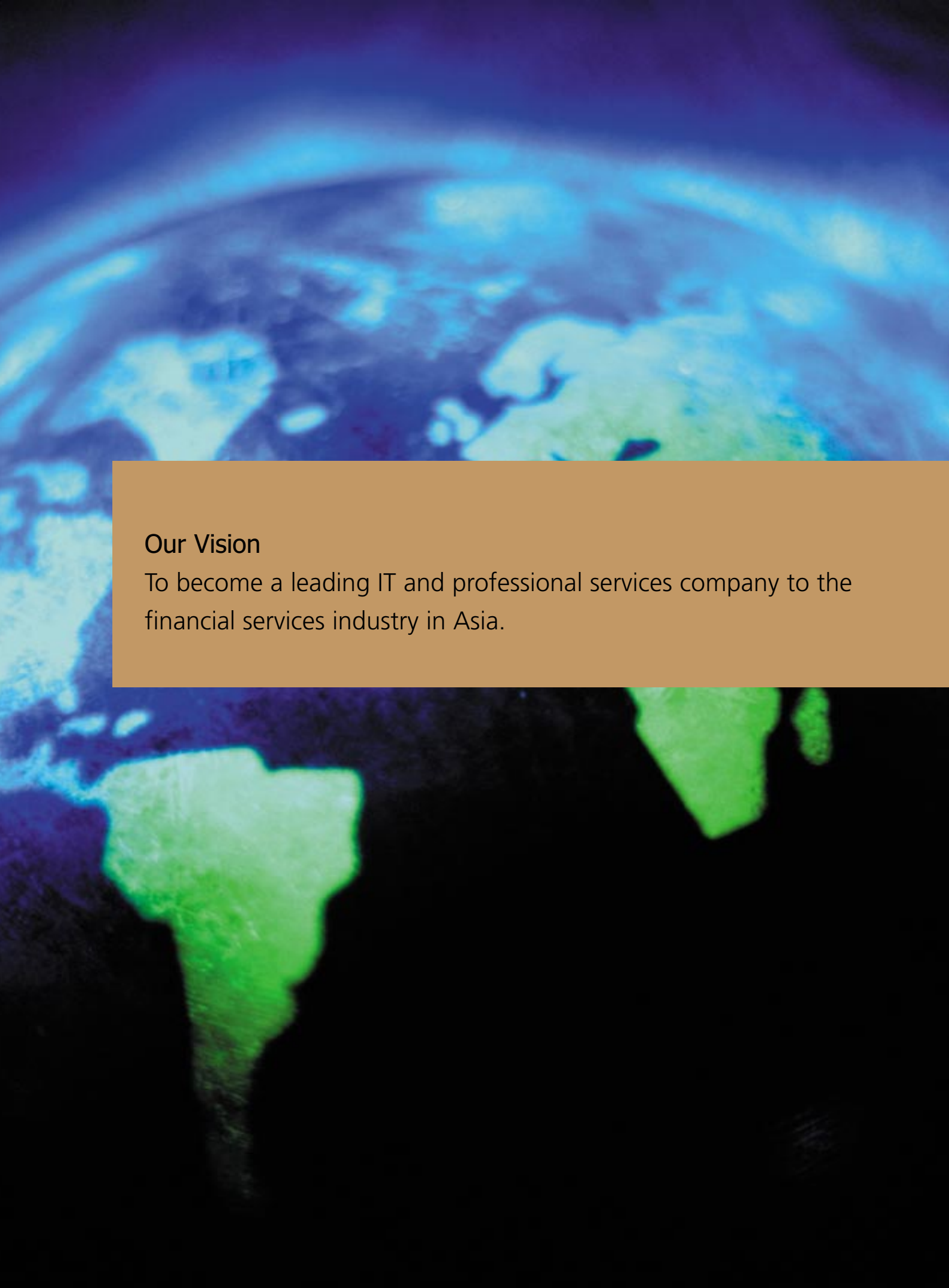
ARMARDA GROUP LIMITED

Annual Report 2005

ARMARDA GROUP

CONTENTS

Page Number	
1	Corporate Profile
2	Message From Chairman
4	Message From CEO
6-9	Board of Directors & Key Management
10	Corporate Information
11	Property Information
12-19	Corporate Governance Report
20-22	Report of The Directors
23	Statement by The Directors
24-52	Auditors Report and Financial Statements
54-55	Shareholders' Information
56-58	Notice of Annual General Meeting



Our Vision

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

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.

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 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 the Armarda Group's second annual report for the financial year ended December 31, 2005 ("FY2005"), subsequent to our listing on the SGX-SESDAQ in May 2004.

During the year, leveraging our last year's success in capitalizing the ongoing transformation of the financial services industry in the PRC, we were capable to continue generated revenue from providing IT consulting services to, not only some top tier banks in the PRC. Our contractual projects with the Bank of Communications ("BOCOM") and the China Construction Bank on core banking consultancy had been completed successfully for FY2005. Building upon our success on first tier banks, some second tier banks in the PRC had also intended to utilize our team's professionalism and technical expertise in this area and had awarded IT consulting contracts to our group. Shanghai Pudong Commercial bank, Shenzhen Development Bank and the RCCB (Rural cooperative Credit Bank) are amongst our second-tier banking customers.

Though Armarda could maintain its strong and competitive market position in the Chinese banking industry for IT consulting during the year, it had posed a challenging year to our group. The PRC's accession to the WTO would pose pressure to the PRC banks to better equip themselves to compete with foreign banks and IT modernization would be one of their key weapons, hence the demand for IT consulting services should be substantial. However, many first tier banks had been engaging in overseas IPO activities and thus there was a slowdown in their IT-related investment spending. As a result, no strong growth in terms of our financial result for the year as compared with last year.

Looking head, we believe that the trend for IT reform of the PRC banking sector will continue fast and because of our extensive experiences and strong relationships with the banks, we are confident that our professional team could continue to capture this market in a leading position, both on the first and second tier banking sectors. We have already in discussion and have conducted feasibility study in securing contract with BOCOM on providing core banking services on other systems of the bank. We will also expend more efforts in developing the second tier banking market. At the same time, we have partnered with other IT service providers such as Sybase and Oracle, to strengthen our scope of IT services to our customers – internet banking, consultants outsourcing, are amongst some of the few that we will be focusing on for the coming year.

Lastly, on behalf of the Board of Directors, I would like to take this opportunity to extend my appreciation to our management team and staff for their dedication and contribution to our company. I also wish to thank our customers, suppliers and business associates for their trust and confidence and of course our shareholders for their continuous support.

Dr Chou Tao-Hsiung, Joseph
Chairman

27 February 2006

MESSAGE FROM CEO

I am pleased to present you the business performance of the Group which we had achieved for FY2005. Though FY2005 would mark as a challenging year to our Group, in view of the fact that PRC banks in general have tightened up the corporate budget in respect of upgrading and improving their IT systems, but coping with our proper business strategies, we have managed to deliver a satisfactory financial results and certain noteworthy business milestones.

The Group's revenue for FY2005 stood at HK$63.8 million as compared with HK$50.7 million in FY2004, achieving a growth of approximately 25.8%. The Group revenue was attributed mainly from our provision of IT consulting business to PRC banks. We have implemented and thereafter successfully completed Phase 2 for the Bank of Communications' ("BCOM") retail banking system. We have also provided IT services to second-tier banks such as RCCB (Rural cooperative Credit Bank). The growth rate was not as strong as last year because our existing and potential customers, first-tier banks in the PRC, had been heavily engaged in restructuring and IPO-related activities during the year and thus slowing their momentum in IT-related improvements. Another contribution to the maintenance of our revenue growth was the sale of IT equipments auxiliary to our service business amounting to HK$17.0 million.

Excluding the impact of the one-time recognition of the negative goodwill amounted to HK$7.7 million and the annual amortization of negative goodwill of HK$0.8 million as recognized in the FY2004 results, our Group's net profit after taxation (NPAT) for FY2005 was achieved at HK$10.9 million as compared with HK$15.9 million for FY2004, signifying a decrease of HK$5.0 million. The reduction in NPAT was attributed to a decrease in revenue in respect of IT consulting business (as explained above), a slight increase in total operating expenses as well as the provision for income tax.

Although our overall operating expenses (which included staff costs, depreciation and other expenses) increased by 8.3% from HK$34.8 million in FY2004 to HK$37.7 million in FY2005, we were capable to manage our operations more efficiently by conducting a corporate restructuring to replace high pay permanent consultants with the engagement of qualified subcontractors for performing services, thus reducing our staff costs and travel expenses without compromising our professional services to our customers.

Going forward, our Group strategies will continue to focus on our core business in provision of professional IT consulting services to first and second tier banks in the PRC. We have already begun negotiation on further IT consulting contracts with the BCOM and the Bank of China and have teamed up with Sybase in internet banking consultancy and with Oracle on financial system consultancy. To utilize our solid experiences and technical expertise in the banking and financial sector, we will strive to look for business potential in IT consultancy in terms of other business areas such as insurance, human resources and public utilities. We will also look for strategic investment opportunities such as joint ventures, business alliances and acquisitions of business or technologies that could potentially drive up our growth engine and increase market penetration.

Last but not least, I would like to say thank you to all shareholders, board of directors, customers, suppliers, and business partners for your continuous support during the year. And most importantly a big thank you to all fellow staff for the professionalism and commitment they have contributed to our Group.

Please be assured that our Group will make our best effort to operate our business effectively and strongly in the current year and hopefully would share with you a more promising and delightful business results for FY2006.

Luk Chung Po, Terence
Chief Executive Officer

27 February 2006


13:36:04

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 Aion Technologies Inc. (previously known as 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. Lin Ming Sheng, Vincent
Non-executive Deputy Chairman

Mr Vincent Lin was appointed as our Non-executive Director in March 2004 and our Non-executive Deputy Chairman on February 2006. Mr. Lin is also currently the President of Aion Technologies Inc. (previously known as Goldsun Computer & Communication Co. Ltd.), which he joined in 1999. He is also the Vice-President of the Integrated Systems Division at Taiwan Secom. Since 1997, he has been the President of Azure International Incorporated.

Mr Lin holds a Bachelor's Degree in Business Administration from Georgetown University, a Juris Doctorate Degree from the University of California's Hastings College of Law, and an EMBA Degree from Beijing's Tsinghua University.

Mr Luk Chung Po, Terence
Executive director, Chief Executive Officer

Mr Terence Luk was appointed as our CEO in June 2005. 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 cofounded and was appointed as the Vice-Chairman of Hong Kong-listed Technology Venture Holdings Limited between 1996 and 2001. Since September 2002,

Mr Luk 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 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 andpassed 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. Mr Phuah was an engineer with Hewlett Packard between 1992 to 1993 and Esso between 1993 to 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

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.

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 Albert Tsang
Senior Consultant

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,

Mr Tsang 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.

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.

Mr Wen 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)
Lin Ming Sheng, Vincent (Non-executive Deputy-Chairman)
Luk Chung Po, Terence (Executive Director, Chief Executive Officer)
Lee Joo Hai (Independent Director)
Phuah Lian Heng (Independent Director)

Key Management
Mak Tin Sang (Chief Financial Officer)
Florence Tso (Principal Consultant)
Albert Tsang (Senior Consultant)
Wen Feng (General Manager of Armarda Zhuhai)

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

Remuneration Committee
Phuah Lian Heng (Chairman)
Lee Joo Hai
Dr Chou Tao-Hsiung, Joseph

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

Company Secretary
Mak Tin Sang

Deputy Company Secretary
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
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong
Partner-in-charge: Mr Lam Kai Wa
(since financial year ended 31 December 2005)

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Collyer Quay Branch
21 Collyer Quay,
Level 1, HSBC Building
Singapore 049320
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

Location	Purpose of property	Tenure of land	Term of lease
Floor 18 & 19 Commercial Bank Building	Office premises	Leasehold	50 years

CORPORATE GOVERNANCE REPORT

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	-	Member	-
Mr Lin Ming Sheng, Vincent	Non-Executive Deputy Chairman	Member	-	Member
Mr Luk Chung Po, Terence	Executive Director, Chief Executive Officer	-	-	-
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 5 Directors includes 2 Independent and 2 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 videoconference.

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND BOARD COMMITTEES
HELD FROM 1 JANUARY 2005 TO 31 DECEMBER 2005

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	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	5	5	-	-	-	-	-	-
Mr Luk Chung Po, Terence	5	5	4	4	-	-	4	4
Mr Lin Ming Sheng, Vincent	5	1	1	0	4	1	-	-
Mr Graham Francis Valentine (resigned on 1 Dec 2005)	5	5	-	-	-	-	-	-
Mr Lee Joo Hai	5	5	5	5	4	4	4	4
Mr Phuah Lian Heng	5	5	5	5	4	4	4	4

No. of board meetings held from 1 January 2005 to 31 December 2005 : 5
No. of audit committee meetings held from 1 January 2005 to 31 December 2005 : 5
No. of nominating committee meetings held from 1 January 2005 to 31 December 2005 : 4
No. of remuneration committee meetings held from 1 January 2005 to 31 December 2005 : 4

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 Luk Chung Po, Terence. 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 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 Dr Chou Tao-Hsiung, Joseph. 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 2005 are as follows:

Remuneration Bands	Salary %	Performance bonus %	Directors' fees %	Others %	Total %
Directors					
S$250,000 -S$500,000	-	-	-	-	-
Mr Graham Francis Valentine (resigned on 1 December 2005)	100	-	-	-	100
Below S$250,000					
Dr Chou Tao-Hsiung, Joseph	-	-	-	-	-
Mr Luk Chung Po, Terence	100	-	-	-	100
Mr Lin Ming Sheng, Vincent	-	-	-	-	-
Mr Lee Joo Hai	-	-	100	-	100
Mr Phuah Lian Heng	-	-	100	-	100
Executive Officers					
S$250,000 -S$500,000					
Ms Felicia Choy (resigned on 30 June 2005)	100	-	-	-	100
Ms Florence Tso	100	-	-	-	100
Below S$250,000					
Mr Mak Tin Sang	100	-	-	-	100
Mr Achilles Choi (resigned on 28 February 2006)	100	-	-	-	100
Mr Albert Tsang	100	-	-	-	100

Apart from Dr Chou Tao-Hsiung, Joseph and Mr Lin Ming Sheng, Vincent, 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 2005. The remuneration of the Non-Executive Directors will be subject to approval at the AGM.

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

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 11: Audit Committee
Principle 12: Internal Controls

Audit Committee ("AC")
The AC comprises Mr Lee Joo Hai, Mr Phuah Lian Heng and Mr Lin Ming Sheng, Vincent. 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 5 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 the 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 is considering hiring or outsourcing an internal auditor by the end of 2006.

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 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 2005.

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 49 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 Chou Tao-Tsiung, Joseph. There was no Employee Share Option granted during the financial year ended 31 December 2005.

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 2005 that exceeded the stipulated thresholds as specified in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

REPORT OF THE DIRECTORS

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 2005.

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)
Lin Ming Sheng, Vincent (Non-executive Deputy Chariman)
Luk Chung Po, Terence (Executive director, 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$0.20 each in the Company	Number of ordinary shares of HK$0.20 each in the Company	Number of ordinary shares of HK$0.20 each in the Company	Number of ordinary shares of HK$0.20 each in the Company
Dr Chou Tao-Hsiung, Joseph	887,626	887,626	-	-
Luk Chung Po, Terence	8,876,255	8,876,255	45,308,277	45,308,277
Lin Ming Sheng, Vincent	887,626	887,626	3,814,625	3,814,625
Lee Joo Hai	-	-	-	-
Phuah Lian Heng	-	-	-	-

The directors' interests as at January 21, 2006 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 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
Lin Ming Sheng, Vincent

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 27 February 2006, 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
Luk Chung Po, Terence
Director and Chief Executive Officer

27 February 2006

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 2005, 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, authorized these financial statements for issue.

On behalf of the Board of Directors
Dr Chou Tao-Hsiung, Joseph
Chairman
Luk Chung Po, Terence
Director and Chief Executive Officer

27 February 2006

Financial Statements Index

	Page Number
Independent Auditors' Report	25
Income Statements	26
Balance Sheets	27
Consolidated Statement of Cash Flows	28
Consolidated Statement of Changes in Shareholders' Equity	29
Notes to the Financial Statements	30

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 26 to 52 which have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. 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 2005 and of the profit of the Company and of the Group and, the 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

27 February 2006

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005
(Expressed in Hong Kong dollars)

	Note	The Group		The Company	
		2005	2004	2005	2004
		HK$'000	HK$'000	HK$'000	HK$'000
Revenue	4	63,847	50,746	-	-
Other income	4	1,204	8,550	2,957	-
Staff costs	5	(17,957)	(18,383)	(448)	(348)
Depreciation	9	(3,678)	(2,463)	-	-
Cost of goods sold	4	(14,787)	-	-	-
Other expenses	5	(16,086)	(13,918)	(2,506)	(403)
Finance costs	5	(36)	(31)	-	-
Profit/(loss) before taxation	5	12,507	24,501	3	(751)
Income tax	6	(1,640)	(50)	-	-
Profit/(loss) for the year attributable to equity shareholders of the Company	19	10,867	24,451	3	(751)
Basic earnings per share	7	3.78 cents	9.26 cents		
Diluted earnings per share	7	N/A	N/A		

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

BALANCE SHEETS

AS AT 31 DECEMBER 2005
(Expressed in Hong Kong dollars)

	Note	The Group 2005 HK$'000	The Group 2004 HK$'000	The Company 2005 HK$'000	The Company 2004 HK$'000
Non-current assets					
Investment in subsidiaries	8	-	-	45,446	45,446
Property, plant and equipment	9	18,410	21,749	-	-
Amount due from a subsidiary	10	-	-	59,925	-
Other assets	11	763	748	-	-
Deferred tax assets	17	66	-	-	-
		19,239	22,497	105,371	45,446
Negative goodwill	3	-	(11,343)	-	-
		19,239	11,154	105,371	45,446
Current assets					
Trade and other receivables	12	56,867	43,022	123	160
Amount due from a subsidiary	10	-	-	-	59,141
Cash and cash equivalents	13	80,270	72,956	-	-
		137,137	115,978	123	59,301
Current liabilities					
Secured bank loan	14	58	59	-	-
Obligations under finance lease	15	79	75	-	-
Trade and other payables	16	7,669	3,801	778	34
Taxation payable		-	187	-	-
		7,806	4,122	778	34
Net current assets / (liabilities)		129,331	111,856	(655)	59,267
Non-current liabilities					
Secured bank loan	14	87	140	-	-
Obligations under finance lease	15	216	295	-	-
Deferred tax liabilities	17	1,943	50	-	-
		2,246	485	-	-
Net assets		146,324	122,525	104,716	104,713
Total equity attributable to equity shareholders of the Company					
Share capital	18	57,446	57,446	57,446	57,446
Reserves	19	88,878	65,079	47,270	47,267
		146,324	122,525	104,716	104,713

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2005
(Expressed in Hong Kong dollars)

	Note	2005	2004
		HK$'000	*HK$'000*
Operating activities			
Profit before taxation		12,507	24,501
Interest income	4	(1,204)	(806)
Negative goodwill recognised	4	-	(7,704)
Amortisation of negative goodwill	5(b)	-	(810)
Loss on disposal of property, plant and equipment	5(b)	145	11
Finance costs	5(c)	36	31
Depreciation	9	3,678	2,463
Foreign exchange (gain)/loss		(94)	203
Operating profit before changes in working capital		15,068	17,889
Changes in working capital			
Increase in trade and other receivables		(13,339)	(9,604)
Increase in trade and other payables		3,868	885
Cash generated from operations		5,597	9,170
Interest received		698	806
Interest paid		(36)	(31)
Net cash inflow from operating activities		6,259	9,945
Investing activities			
Additions of property, plant and equipment		(163)	(10,827)
Additions of other assets		-	(237)
Payment of refundable investment deposit		-	(17,000)
Proceeds from disposal of property, plant and equipment		1	132
Net cash inflow from acquisition of Armarda Zhuhai	23	-	2,545
Repayment of amount due from related party		-	3,749
Net cash outflow from investing activities		(162)	(21,638)
Financing activities			
Repayment of finance lease obligations		(75)	(37)
Repayment of secured bank loan		(54)	(44)
Capital contributions		-	20,000
Issue of shares		-	73,375
Payment of share listing expenses		-	(10,068)
Net cash(outflow)/inflow from financing activities		(129)	83,226
Net increase in cash and cash equivalents		5,968	71,533
Cash and cash equivalents at beginning of the year		72,956	1,423
Effect of foreign exchange rate changes		1,346	-
Cash and cash equivalents at end of the year		80,270	72,956
An analysis of cash and cash equivalents is as follows:			
Deposits with banks		54,423	53,396
Cash at bank and in hand		25,847	19,560
		80,270	72,956

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005
(Expressed in Hong Kong dollars)

	Note	*HK$'000*
Balance at 1 January 2004		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
Balance at 1 January 2005		122,525
Opening balance adjustment arising from change in accounting policy	3	11,343
Restated balance at 1 January 2005		133,868
Net profit for the year		10,867
Exchange differences on translation of financial statements of foreign entities		1,589
Balance at 31 December 2005		146,324

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 27 February 2006.

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.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group").

2 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").

(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. Except for a change in accounting policy for negative goodwill in 2005 as detailed in note 3, 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.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Significant accounting policies (cont'd)

(c) Basis of consolidation

(i) Subsidiaries

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.

The consolidated financial statements for the comparative year of 2004 were prepared by adopting the pooling of interests method of accounting for acquisitions of subsidiaries under common control, which were effected in April 2004 by the Company pursuant to a restructuring exercise (the "Restructuring Exercise") undertaken by the Group in preparation for the initial public offering of the Company's shares on the SGX-SESDAQ, as detailed in the Company's prospectus dated 11 May 2004. Under this method, the Company was 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 2004 included the results of the Company and the subsidiaries under common control for that year.

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

In the Company's balance sheet, the investment in subsidiaries is stated at cost less impairment losses.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(d) Negative goodwill

Negative goodwill arising on acquisition which represents the excess of the Group's interest in the fair value of the net identifiable assets acquired over the cost of acquisition, is recognised directly in income statement (see also note 3).

(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. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising on translation are recognised in the income statement.

2 Significant accounting policies (cont'd)

(e) Foreign currencies (cont'd)

(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 retranslation are recognised directly in a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(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 2(j)).

(ii) Leased assets

Leases in 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 2(j)). Lease payments are accounted for as described below.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(iii) Subsequent expenditure

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(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:

2 Significant accounting policies (cont'd)

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

(iv) Depreciation (cont'd)

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

(g) Other assets

Other asset which represents transferable life memberships of golf club are stated at cost less any impairment losses (note 2(j)).

(h) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses (note 2(j)).

(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.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(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.

2 Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(ii) Reversal of impairment loss

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and 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 amortised cost.

(l) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(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.

2 Significant accounting policies (cont'd)

(o) Income tax (cont'd)

Deferred tax is provided 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 following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

(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) Licence fee income

Fees received and receivable from customers for the licensed uses of the Group's computer application systems are recognised as income upon the customers' acceptance of the licensed systems, when the Group has no substantial remaining obligations to perform in accordance with the terms of the licence agreements.

(iii) Sales of goods

Revenue is recognised when goods are delivered and installed and when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iv) Interest income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(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.

2 Significant accounting policies (cont'd)

(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 financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing 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.

3 Change in accounting policy

With effect from the annual accounting periods beginning 1 January 2005, in compliance with IFRS 3 "Business Combinations", the Group has changed its accounting policy in respect of negative goodwill arising on an acquisition.

Previously, negative goodwill arising on an acquisition for which the agreement date was before 31 March 2004 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred. Negative goodwill in excess of the fair value of the non-monetary assets acquired was recognised in the income statement immediately.

With effect from annual accounting period beginning from 1 January 2005, the Group has applied IFRS 3 prospectively to account for negative goodwill arising on an acquisition for which the agreement date was before 31 March 2004. Consequently, the carrying amount of the negative goodwill at 1 January 2005 of HK$11,343,000 was derecognised with a corresponding adjustment to the opening balance of retained profits at that date. In addition, such change in accounting policy resulted in a reduction of the Group's net profit for 2005 by approximately HK$810,000.

In respect of negative goodwill arising on an acquisition for which the agreement date is on or after 31 March 2004, the negative goodwill is recognised directly in the income statement (note 2 (d)).

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 systems and sales of IT equipment.

During the year, the Group received non-refundable lump sum licence fees totalling HK$3,850,000 (2004: HK$1,600,000) from certain independent customers for the licensed uses of the Group's computer application systems for a period of ranging from five to eight years. The Group has recognised the 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.

For the year ended 31 December 2005, revenue and cost of goods sold in respect of sales of IT equipment recognised in the consolidated income statement amounted to HK$17,034,000 (2004: Nil) and HK$14,787,000 (2004: Nil) respectively.

Other income comprises:

	The Group		The Company	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Negative goodwill recognised immediately upon acquisition of Armarda Zhuhai	-	7,704	-	-
Interest income	1,204	806	-	-
Interest income from subsidiary	-	-	2,957	-
Others	-	40	-	-
	1,204	8,550	2,957	-

4 Revenue and segment reporting (cont'd)

Geographical information

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

	2005	**2004**
	HK$'000	*HK$'000*
Revenue		
PRC	63,847	54,760
Hong Kong	-	1,712
Taiwan	-	1,076
Singapore	-	942
Unallocated revenue	1,204	806
	65,051	59,296
Capital expenditure		
PRC	98	19,449
Hong Kong	65	4,161
Singapore	-	14
	163	23,624

Note: Capital expenditure comprises additions to property, plant and equipment and other assets.

Segment assets		
PRC	126,698	97,596
Hong Kong	29,332	27,701
Singapore	280	1,835
Unallocated assets	66	-
	156,376	127,132

5 Profit/ (loss) before taxation

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

		The Group		The Company	
		2005	2004	2005	2004
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(a)	**Staff costs**				
	Salaries and allowances	16,885	17,662	448	348
	Contributions to defined contribution retirement plans	750	430	-	-
	Other welfare and benefits	322	291	-	-
		17,957	18,383	448	348
	Remuneration of directors included in staff costs:				
	- Directors of the Company	2,260	2,086	448	348
	- Other directors	2,847	3,471	-	-
(b)	**Other expenses**				
	Non-audit fees paid to auditors of the Company	35	39	-	-
	Consultancy and subcontracting fees	4,863	1,418	-	-
	Operating lease charges in respect of properties	2,154	2,333	-	-
	Promotion and marketing expenses	1,124	1,655	244	-
	Travelling expenses	4,294	5,349	151	59
	Amortisation of negative goodwill	-	(810)	-	-
	Loss on disposal of property, plant and equipment	145	11	-	-
	Net exchange (gain)/loss	(267)	284	-	-
	Others	3,738	3,639	2,111	344
		16,086	13,918	2,506	403

		The Group		The Company	
		2005	2004	2005	2004
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(c)	**Finance costs**				
	Interest expense on				
	- secured bank loan	19	21	-	-
	- finance lease obligations	17	10	-	-
		36	31	-	-

6 Income tax

(a) Income tax in the income statement represents:

	The Group	
	2005	**2004**
	HK$'000	*HK$'000*
Current tax		
Current year	-	-
Adjustment for prior years	(187)	-
	(187)	-
Deferred tax expense	1,827	50
	1,640	50

(b) Reconciliation of effective tax rate:

	The Group	
	2005	**2004**
	HK$'000	*HK$'000*
Consolidated profit before taxation	12,507	24,501
Applicable tax rate in Hong Kong	17.5%	17.5%
Expected taxation	2,189	4,288
Adjustments:		
Tax rate differential of subsidiaries	(2,014)	(836)
Tax exemption available to Armarda Zhuhai	(535)	(4,017)
Tax effect of non-deductible expenses, net of non-taxable income	1,625	(718)
Over-provision in prior years	(187)	-
Tax losses not recognised	562	1,333
	1,640	50

6 Income tax (cont'd)

The Group's profits derived in Hong Kong are subject to Hong Kong profits tax at 17.5% (2004: 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 (2004: 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 the PRC, Armarda Technology (Zhuhai) Limited ("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 2005 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 (2004: nil).

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity shareholders of HK$10,867,000 (2004: HK$24,451,000) and the weighted average of 287,232,140 (2004: 264,117,000) ordinary shares in issue during the year. The weighted average number of shares for 2004 was calculated based on the assumption that the Restructuring Exercise had been completed on 1 January 2004.

(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	
	2005	**2004**
	HK$'000	HK$'000
Unlisted shares, at cost	45,446	45,446

8 Investment in subsidiaries (cont'd)

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 and IT support services	28 March 2003 The PRC	100%
Armarda Technology (Hong Kong) Limited (iii)	Provision of IT consulting and IT support services	17 March 2003 Hong Kong	100%
Armarda Technology (Singapore) Pte. Ltd.(iv)	Provision of IT consulting and IT support services	14 May 2003 Republic of Singapore	100%

(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 Huaqi 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	Furniture, fixtures, computer and other equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2005	7,917	2,588	12,495	1,446	24,446
Additions	-	47	116	-	163
Disposals	-	(527)	(214)	-	(741)
Exchange adjustments	152	47	167	12	378
At 31 December 2005	8,069	2,155	12,564	1,458	24,246
Accumulated depreciation					
At 1 January 2005	370	843	1,203	281	2,697
Charge for the year	370	536	2,491	281	3,678
Written back on disposal	-	(506)	(89)	-	(595)
Exchange adjustments	11	17	24	4	56
At 31 December 2005	751	890	3,629	566	5,836
Net book value					
At 31 December 2005	7,318	1,265	8,935	892	18,410
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	10,394	453	11,234
Disposals	-	-	(183)	-	(183)
Exchange adjustments	74	16	14	6	110
At 31 December 2004	7,917	2,588	12,495	1,446	24,446
Accumulated depreciation					
At 1 January 2004	-	154	68	52	274
Charge for the year	370	689	1,175	229	2,463
Written back on disposal	-	-	(40)	-	(40)
At 31 December 2004	370	843	1,203	281	2,697
Net book value					
At 31 December 2004	7,547	1,745	11,292	1,165	21,749

9 Property, plant and equipment (cont'd)

As at 31 December 2005, a motor vehicle with net book value of HK$233,000 (2004: HK$298,000) was pledged as security for a bank loan (note 14).

As at 31 December 2005, the net book value of a motor vehicle held under a finance lease amounted to HK$325,000 (2004: HK$415,000).

10 Amount due from a subsidiary

The amount due from a subsidiary which is a non-trade balance, is unsecured, bears interest at prevailing commercial rate (7% per annum at 31 December 2005) and has no fixed term of repayment. The Company expects that the amount will not be repaid within one year.

In 2004, the amount due from a subsidiary was unsecured, interest-free and repayable on demand.

11 Other assets

Other assets comprised the costs of transferable life memberships of golf club.

12 Trade and other receivables

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	29,757	17,828	-	-
Accrued services revenue	7,131	4,116	-	-
Refundable acquisition deposit (note 24)	17,000	17,000	-	-
Other prepayments and receivables	2,979	4,078	123	160
	56,867	43,022	123	160

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

13 Cash and cash equivalents

	The Group	
	2005	**2004**
	HK$'000	*HK$'000*
Deposits with banks	54,423	53,396
Cash st bank and in hand	25,847	19,560
	80,270	72,956

As at 31 December 2005, the effective interest rate of cash and cash equivalents was 1.74% (2004: 1.68%) per annum. The interest rate on all deposits with banks is repriceable within one year.

14 Secured bank loan

	The Group	
	2005	**2004**
	HK$'000	*HK$'000*
Secured bank loan:		
Repayable within one year	58	59
Repayable after one year but within 5 years	87	140
	145	199

As at 31 December 2005, 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.

15 Obligations under finance lease

As 31 December 2005, the Group had obligations under a finance lease that are repayable as follows:

The Group

	2005			2004		
	Principal	**Interest**	**Total minimum lease payments**	**Principal**	**Interest**	**Total minimum lease payments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repayable within 1 year	79	13	92	75	17	92
Repayable after 1 year but within 5 years	216	14	230	295	27	322
	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.

16 Trade and other payables

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	1,693	383	-	-
Other payables and accruals	5,976	3,418	778	34
	7,669	3,801	778	34

17 Deferred tax (assets)/liabilities

The components of deferred tax (assets) / liabilities recognised in the consolidated balance sheets and the movements during the year are as follows:

The Group

	Fixed assets depreciation	Future benefit of tax losses	Trade receivables	Accrued expenses	Others	Total
	HK'000	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*
Balance at 1 January 2004	-	-	-	-	-	-
Charged/(credited) to the consolidated income statement	513	(463)	-	-	-	50
Balance at 31 December 2004	513	(463)	-	-	-	50
Balance at 1 January 2005	513	(463)	-	-	-	50
Charged/(credited) to the consolidated income statement	(265)	(48)	2,281	(191)	50	1,827
Balance at 31 December 2005	248	(511)	2,281	(191)	50	1,877

	The Group	
	2005	**2004**
	HK$'000	*HK$'000*
Net deferred tax asset recognised on the balance sheet	(66)	-
Net deferred tax liability recognised on the balance sheet	1,943	50
	1,877	50

The Group has not recognised deferred tax assets in respect of tax losses totalling HK$12,887,000 (2004: HK$10,075,000) incurred by the Group's operations in Singapore, as their utilisation in the foreseeable future cannot be reasonably ascertained. Such tax losses do not have a expiry date under the current tax laws in Singapore.

There were no material unprovided deferred tax liabilities as at 31 December 2005.

18 Share capital

(a) The Company

	2005	**2004**
	HK$'000	*HK$'000*
Authorised:		
900,000,000 ordinary shares of HK$0.20 each (2004: 900,000,000 ordinary shares of HK$0.20 each)	180,000	180,000
Issued and fully paid:		
287,232,140 ordinary shares of HK$0.20 each (2004: 287,232,140 ordinary shares of HK$0.20 each)	57,446	57,446

18 Share capital (cont'd)

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*
Balance at 1 January 2004		1,000,000	-	100
Creation of additional authorised share capital	a	1,799,000,000	-	179,900
Share consolidation	c	(1,800,000,000)	900,000,000	-
Balance at 31 December 2004		-	900,000,000	180,000
Balance at 1 January 2005 and 31 December 2005		-	900,000,000	180,000
Issued and fully paid:				
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 Armarda Holdings Limited	b	453,464,280	-	45,446
Share consolidation	c	(454,464,280)	227,232,140	-
		-	227,232,140	45,446
New shares issued for public subscription	d	-	60,000,000	12,000
Balance at 31 December 2004		-	287,232,140	57,446
Balance at 1 January 2005 and 31 December 2005		-	287,232,140	57,446

During the period from 1 January 2004 to 31 December 2005, the following changes in the Company's authorised and issued share capital were recorded:

(a) 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.

(b) 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 Technology Limited and GC&C Holdings Limited, in consideration for the acquisition of the entire issued share capital of Armarda Holdings Limited ("AHL").

(c) 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.

18 Share capital (cont'd)

(d) 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).

19 Reserves

The Group

		Attributable to equity shareholders of the Company				
	Note	Share premium	Exchange reserve	PRC statutory reserve	(Accumulated losses)/ retained profits	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Balance as at 1 January 2005		48,018	314	2,678	14,069	65,079
Opening balance adjustment in respect of derecognition of negative goodwill	3	-	-	-	11,343	11,343
Restated balance as at 1 January 2005		48,018	314	2,678	25,412	76,422
Net profit for the year		-	-	-	10,867	10,867
Appropriation to reserve	(c)	-	-	2,709	(2,709)	-
Exchange difference on translation of financial statements of foreign entities	(d)	-	1,589	-	-	1,589
Balance as at 31 December 2005		48,018	1,903	5,387	33,570	88,878

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 operation of the Company.

19 Reserves (cont'd)

The Company

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
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
Balance as at 1 January 2005	48,018	(751)	47,267
Net profit for the year	-	3	3
Balance as at 31 December 2005	48,018	(748)	47,270

20 Financial instruments and concentration of risks

The Group's and the Company's financial assets comprise mainly trade receivables, deposits and other receivables, amount due from subsidiary 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 of the cash and cash equivalents is disclosed in note 13.

The interest rate and maturity of the amount due from a subsidiary, secured bank loan and finance lease obligations are disclosed in note 10, 14 and 15 respectively.

(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 revenue for the year ended 31 December 2005. 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.

20 Financial instruments and concentration of risks (cont'd)

(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.

The Group's significant financial instruments denominated in a currency other than Hong Kong dollars were as follows:

	2005	**2004**
	Equivalent	*Equivalent*
	HK$'000	*HK$'000*
Denominated in Renminbi:		
Trade and other receivables	32,176	21,620
Cash and cash equivalents	78,320	68,983
Secured bank loan	145	199
Trade and other payables	5,389	2,726

(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 values of secured bank loan and amount due from subsidiary approximate their respective carrying amounts.

21 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:

21 Commitments (cont'd)

(a) Operating lease commitments (cont'd)

	The Group	
	2005	**2004**
	HK$'000	*HK$'000*
Payable as follows:		
- within 1 year	287	793
-after 1 year but within 5 years	156	263
	443	1,056

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.

22 Material related party transactions

Remuneration for key management personnel represent short-term employee benefits paid to the directors of the Company and other entities of the Group as disclosed in note 5.

23 Supplementary cash flow information

The cash flow effect of acquisition of Armarda Zhuhai during the year ended 31 December 2004 is set out below:

	The Group	
	2005	**2004**
	HK$'000	*HK$'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

24 Subsequent events

Pursuant to a conditional sale and purchase agreement dated 6 February 2006 (the "Agreement"), the Group has agreed to acquire a 25% equity interest in Brilliant Time Limited ("BTL"), a company incorporated in the British Virgin Islands at a cash consideration of HK$20,000,000 from an independent vendor (the "Vendor"). BTL through its 75% owned subsidiary, [illegible] a Sino-foreign joint venture company established in the PRC (collectively, the "BTL Group"), is principally engaged in the business of information technology system integration serving the banking industry in the PRC.

Under the Agreement, a refundable deposit of HK$17,000,000 (note 12) which the Group already paid to the Vendor as at 31 December 2005 will constitute part of the consideration. Of the remaining consideration of HK$3,000,000, an amount of HK$1,500,000 is payable within 37 business days after the conditions specified in the Agreement have been fulfilled. The remaining amount of HK$1,500,000 is to be held in escrow pending fulfilment of the profit guarantee provided by the Vendor in respect of BTL Group for the year ending 31 December 2006. Under the Agreement, an option has also been granted to the Group to further acquire a 30% to 50% equity interest in BTL from the Vendor at a consideration to be determined based on a fixed multiple of the guaranteed profit of BTL Group for the year ending 31 December 2006.

The Agreement is conditional, amongst other things, upon the following:

1. that all necessary consents, authorizations, licenses and approvals for or in connection with the acquisition have been obtained including but not limited to the approvals by the Singapore Exchange Securities Trading Limited, the board of directors of the Company and the shareholders of the Company in general meeting; and

2. that there are no matters adversely affecting the legal standing or continued existence of BTL and its subsidiary.

Up to the date of issue of these financial statements, the Agreement has not yet become unconditionally effective.

DOW JONES EURO STOXX

Veränderung in Prozent zur Vorwoche (b

SHAREHOLDERS' INFORMATION

As At 8 March 2006

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 2006, 65.39% 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 has been complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	4	0.30	753	0.00
1,000 - 10,000	706	52.30	2,415,000	0.84
10,001 - 1,000,000	617	45.70	66,181,797	23.04
1,000,001 and above	23	1.70	218,634,590	76.12
	1,350	100.00	287,232,140	100.00

TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Citibank Nominees Singapore Pte Ltd	66,812,579	23.26
2	Compelling Vision Technology Limited	44,381,277	15.45
3	UOB Kay Hian Pte Ltd	36,229,898	12.61
4	Kim Eng Securities Pte. Ltd.	9,305,000	3.24
5	DBS Vickers Securities (S) Pte Ltd	8,908,328	3.10
6	Luk Chung Po	8,876,255	3.09
7	Lim & Tan Securities Pte Ltd	5,662,000	1.97
8	OCBC Securities Private Ltd	4,554,000	1.59
9	Hong Leong Finance Nominees Pte Ltd	4,196,000	1.46
10	Phillip Securities Pte Ltd	3,832,500	1.33
11	Mak Tin Sang	3,550,502	1.24
12	HSBC (Singapore) Nominees Pte Ltd	3,451,000	1.20
13	Petras Tsui Hin Chi	3,100,000	1.08
14	Michele Sharmini Rasanayagam	3,000,000	1.04
15	Hui Kong Anna Kwok Choy	1,775,251	0.62
16	Mayban Nominees (S) Pte Ltd	1,700,000	0.59
17	Cheong Chow Yin	1,500,000	0.52
18	Loo Min	1,500,000	0.52
19	Lim Yap Khim	1,410,000	0.49
20	Teo Tiong Kee	1,360,000	0.47
		215,104,590	74.87

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Compelling Vision Technology Limited	44,381,277	15.45	-	-
GC&C Holdings Limited	44,381,277	15.45	-	-
Peregrine Soleil Asset Holdings Ltd.	-	-	44,381,277(1)	15.45(1)
Aion Technologies Inc. (formerly known as Goldsun Computer and Communications Co., Ltd.)	-	-	44,381,277(2)	15.45(2)
Taiwan Secom Co., Ltd.	-	-	44,381,277(3)	15.45(3)
Samuel Lin, Jr.	-	-	22,545,689 (4)	7.85(4)
Leung Yee Man	-	-	22,545,689 (5)	7.85(5)
Luk Chung Po	8,876,255	3.09	45,308,277(6)	15.77(6)

Notes:

(1) Based on Peregrine Soleil Asset Holdings Ltd.'s deemed interest in the shares held by GC&C Holdings Limited by virtue of Peregrine Soleil Asset Holdings Ltd.'s 100% shareholding in GC&C Holdings Limited.

(2) Based on Aion Technologies Inc.'s deemed interest in the shares held by GC&C Holdings Limited by virtue of Aion Technologies Inc.'s 100% shareholding in Peregrine Soleil Asset Holdings Ltd.

(3) Based on Taiwan Secom Co., Ltd.'s deemed interest in the shares held by GC&C Holdings Limited by virtue of Taiwan Secom Co., Ltd.'s 100% shareholding in Aion Technologies Inc.

(4) Based on Samuel Lin, Jr.'s deemed interest in the shares held by Universal Chinese Limited by virtue of Samuel Lin, Jr.'s 100% shareholding in Universal Chinese Limited. Samuel Lin, Jr. is the spouse of Leung Yee Man. Leung Yee Man is deemed interested in the shares held by Capitol Hill Technology Partners Limited by virtue of Leung Yee Man's 99.01% shareholding in Capitol Hill Int'l Limited, which owns 100% of the shares of Capitol Hill Technology Partners Limited. Samuel Lin, Jr. is therefore deemed to be interested in the shares held by Capitol Hill Technology Partners Limited.

(5) Based on Leung Yee Man's deemed interest in the shares held by Capitol Hill Technology Partners Limited by virtue of Leung Yee Man's 99.01% shareholding in Capitol Hill Int'l Limited, which owns 100% of the shares of Capitol Hill Technology Partners Limited. Leung Yee Man is the spouse of Samuel Lin, Jr. Samuel Lin, Jr. is deemed interested in the shares held by Universal Chinese Limited by virtue of Samuel Lin, Jr.'s 100% shareholding in Universal Chinese Limited. Leung Yee Man is therefore deemed to be interested in the shares held by Universal Chinese Limited.

(6) Based on Luk Chung Po's deemed interest in the Shares held by Compelling Vision Management Limited and Team Vision Management Limited by virtue of Luk Chung Po's 100% and 50% shareholdings in Compelling Vision Management Limited and in Team Vision Management Limited respectively.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2006 Annual General Meeting of Armarda Group Limited will be held at The Executive Centre, Level 15 Prudential Tower, 30 Cecil Street, Singapore 049712.

on 22 April 2006 at 10.00 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 2005 together with the auditors' report thereon.

2 To re-elect the following directors, each of whom will retire by rotation pursuant to Bye-Law 104 of the Bye-Laws of the Company and who, being eligible, will offer themselves for re-election:-

(a) Dr Chou Tao-Hsiung, Joseph

(b) 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 ordinary resolutions, with or without modifications:

(a) "That the payment of S$90,000 as directors' fees for the year ended 31 December 2005 be approved, confirmed and ratified." (2004: S$70,250)

(b) "That the directors be and are hereby authorised to fix the directors' fees for the year ending 31 December 2006."

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 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
COMPANY SECRETARY

Singapore,
29 March 2006

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 2006 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. With the exception of The Central Depository (Pte) Limited who may appoint more than two proxies, any 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.

(3) If a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap.50 of Singapore) wishes to appoint a proxy/proxies to attend and vote at the meeting, then he/she/it should complete the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form 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.


Bern Wylerfeld
iness
erce

ARMARDA GROUP HEADQUARTER
30 Cecil Street, Level 15 Prudential Tower, Singapore 049712
Tel:+65 6232 2727, Fax: +65 62322888
www.armarda.com