ARMARDA GROUP

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# Annual Report 2008

ARMARDA GROUP
Annual Report 2008

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# Corporate Profile

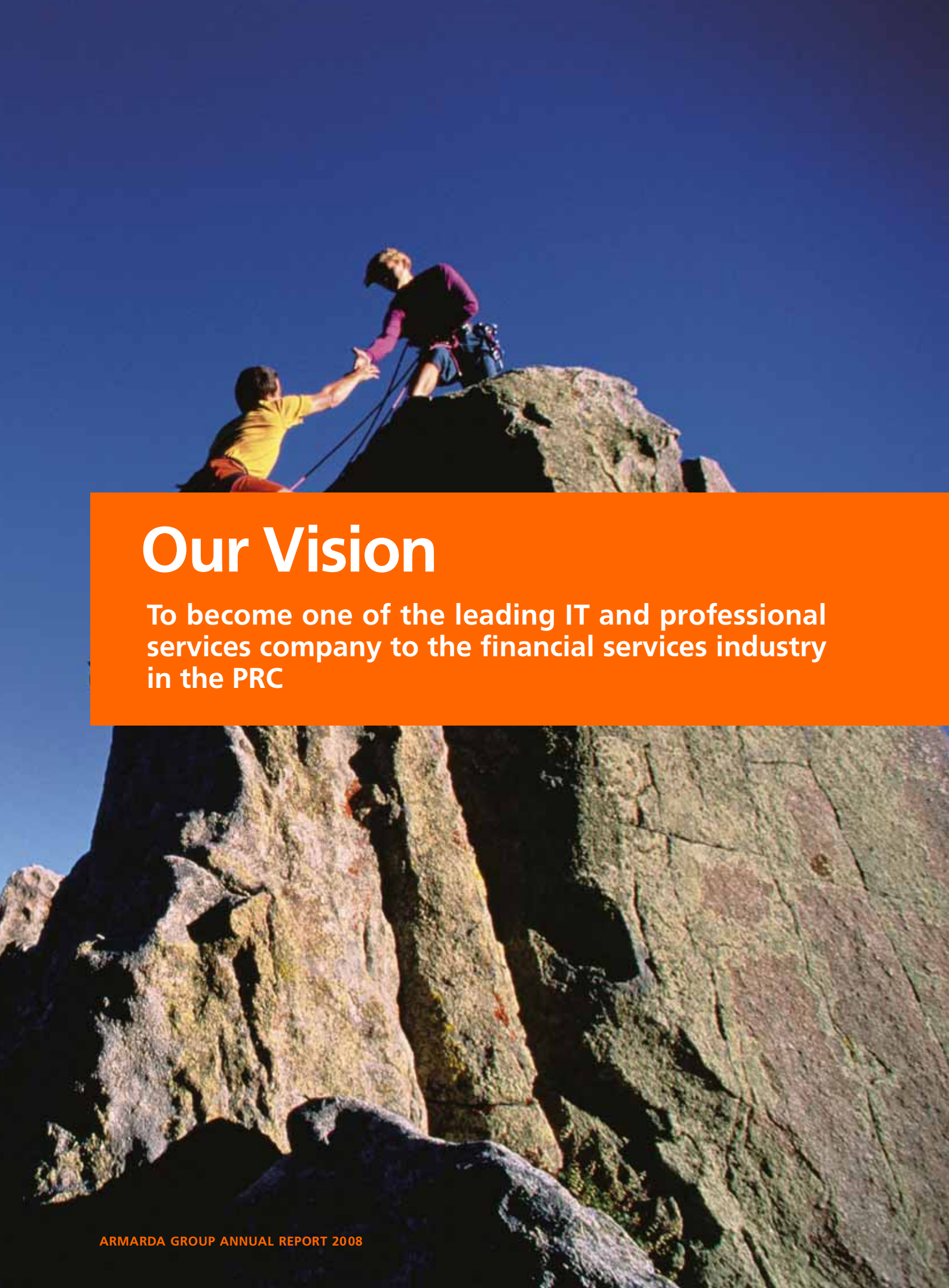
## Background

Incorporated in 2003, Armarda Group Limited is a professional technology 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 modernize and enhance their systems to prepare themselves for increasing foreign competition.

Under the Group's core business IT Consulting Services, Armarda provides IT strategy review and formulation, IT infrastructure architecture and technology integration to banks and financial institutions. To perform such services, 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 and financial services sectors, coupled with knowledge of the advanced banking systems in developed countries, provide us with a distinct competitive edge to capitalize on the transformation of domestic financial institutions. Our major customers included renowned PRC banks such as the Bank of Communications, China Construction Bank, the Shenzhen Commercial Bank, the Chongqing Commercial Bank and the Rural Cooperation Credit Bureau of Zhejiang.

The Group has forged close ties with leading technology vendors such as IBM, Electronic Data System, Oracle and Sybase. Armarda has also been certified with the ISO 9000 and the Third Tier of Computer System Integration qualifications for its excellency in quality control.

Armarda has established principle operations in Hong Kong, Beijing and Zhuhai for its IT Consulting Services. Leveraging on our extensive experience in the PRC financial sector and partnerships with leading technology vendors, we believe Armarda is poised to capture the huge technology business potential in the PRC banking and financial services markets as well as in other industry sectors.



# Our Vision

**To become one of the leading IT and professional services company to the financial services industry in the PRC**

# Message From Chairman

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present you the 2008 annual report of the Armarda Group.

You would all reckon that FY2008 was not an easy year for everybody given the fact that the overall economic condition had worsened due to the global financial turmoil. In addition, alike the preceding year, the PRC IT industry had remained highly competitive due to the intense competition from the continuous entrance of both local and international core banking firms and application vendors into the IT consulting market. Despite these poor market conditions, Armarda had been capable to maintain its market position for FY2008 by successfully continuing to capture the business opportunities from the 2nd and 3rd tier banks in the PRC in the areas of core banking consultancy and Oracle Financials consulting and implementation. In such regard, I am pleased to report that our Group's revenue for FY2008 has increased significantly from approximately HK$34m to HK$78m, even though the overall financial performance has been making a slight loss mainly due to the significant increase in employee stock options' cost.

I am also very pleased to give a warm welcome to our newly appointed executive director, Mr. Richard Gao, who is responsible for the formulation of strategic direction and organization of the Group's fund raising activities. With the extensive experiences in managing IT and industrial companies as well as the invaluable close relationship in the PRC, I am confident that our Group will continue to grow and be capable to reach new business horizon under the good hands of Mr. Gao.

Looking ahead, we expect the global financial turmoil will still persist its impact to the overall economic and market conditions throughout FY2009 that will undoubtedly weaken the Group's ability to capture new businesses. To survive through such adverse environment, our Group will continue to utilize our strong technical experiences and close relationship with banks and strive to maintain our satisfactory financial performance in developing Oracle Financials and core banking consulting business areas from the 2nd and 3rd tier banks in the PRC as well as to look for new business opportunities with promising growth potential.

Lastly, I would like to extend my appreciation and thankfulness to our management team and all staff for their continuous contribution and devotion to our company. I also wish to thank our shareholders, customers, suppliers and business partners for their valuable support throughout the year.

**Dr Chou Tao-Hsiung, Joseph**
Chairman
18 March 2009

# Message From CEO



It is always my pleasure to present you the operation and financial performance of our Group, and in particular for this FY2008, the overall result could be seemingly be considered as satisfactory but that had indeed demonstrated our capability to survive through the global financial turmoil.

You would all reckon that the global economic situation had turned worse quickly starting from the latter part of FY2008 and the PRC IT industry which we had been involved could not been excluded from such financial impact. In addition, the increasing competition from both local and international new market players engaging in similar IT consulting business in the PRC had further weakened our opportunities to capture businesses. However, with our sound implementation of our business and investment strategies, our Group's had been able to maintain our leading market position in serving the 2nd and 3rd tier banks in the PRC. Our Group's revenue generated in FY2008 surged significantly from HK$34m to HK$78m. As in FY2007, the major source of revenue for FY2008 was generated from the provision of IT consultancy services to 2nd and 3rd tier banks in the PRC in the areas of core banking consultancy and Oracle Financials consulting and implementation whereas the majority of such revenue was contributed from our subsidiary company, Brilliant Time Limited. However, for FY2008, our Group experienced a Net Loss After Tax of HK$5.9m as compared with a Net Profit After Tax of ("NPAT") of HK$10.3m in FY2007. Such decrease was mainly attributed by the cost of equity settled share-based payment relating to the employee stock option scheme and the amortization costs of intangible assets, both of which were not due to the unsatisfactory operation of the company.

Looking ahead, we expect that the PRC IT industry will remain to be highly competitive and the global financial turmoil will continue to affect the overall economic condition. To cope with such situation, our Group's strategies will stay focus and continue our effort to increase market penetration in the 2nd and 3rd tier banks in the PRC while at the same time will identify new business opportunities with great market potentials and to speed up our growth through strategic alliance with sound local partners, as well as mergers and acquisitions.

Last but not least, I would like to take this chance to extend my appreciation and gratitude to all shareholders, our fellow board members and all staff at Armarda, our customers, suppliers and business partners, for all of your great support and effort throughout the year.

**Luk Chung Po, Terence**
Chief Executive Officer
18 March 2009

# 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 from March 2003 to February 2006.He also served as the Chairman and Chief Executive Officer of Aion Technologies Inc. between 2000 and 2003. Dr Chou spent more than 18 years with IBM in the USA including 3 years on assignment 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. Dr. Chou was last re-elected as Director on 26 April 2008.

## Mr Luk Chung Po, Terence

### Executive director, Deputy Chairman & 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. From 1995-1997, Mr Luk was appointed as the General Manager of China operations, Cisco Systems. Mr Luk cofounded and was appointed as the Vice-Chairman of Hong Kong-listed Technology Venture Holdings Limited between 1997 and 2001. Since September 2002, Mr Luk has also been the Non-executive Chairman of Singapore-listed LottVision Limited. Mr Luk holds a Bachelor's Degree in Business Administration from the Chinese University of Hong Kong. Mr. Luk was last re-elected as Director on 28 April 2007 and will be due for re-election at the coming AGM.

## Mr Gao Xiangjun, Richard

### Executive Director

Mr. Richard Gao was appointed as our Executive Director in March 2009. He is responsible for formulation of strategic direction and organization of the Group's fund raising activities. During the past 10 years, Mr. Gao has taken up senior management roles for a number of electronics and industrial companies in the PRC and USA. Mr. Gao was the Vice President of G.L International Inc. (a computer network systems and related products supplier based in California) from 1998 to 1999. He founded Zhuhai Websoft Computer Networks Co., Ltd, and acted as its Chairman from January 2000 fo April 2004. Mr. Gao was appointed as Non-executive director of Koyo International Limited (formerly known as Cyber Village Holdings Limited) from May 2004 to May 2008. Mr. Gao has been appointed as Director of Sinohope Education Group since June 2008. He is also currently the Non-executive Director of Singapore-listed LottVision Limited. Mr. Gao holds a degree in Mechanical Engineering from the China TV University, PRC.

## 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 Raffles, a public accounting firm, Mr Lee has more than 20 years of experience in accounting and auditing. He is a Certified Public Accountant of Singapore and a member of Institute of Chartered Accountants in England and Wales, Malaysian Institute of Accountants and Singapore Institute of Directors. Mr Lee completed a foundation course in accountancy with the Northeast London Polytechnic and passed the Professional Examinations of the Institute of Chartered Accountants in England and Wales. Mr. Lee was last re-elected as Director on 26 April 2008.

## 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 Executive Director of VCOD (Spore) Pte Ltd, a business consultancy and investment holding 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. Mr. Phuah was last re-elected as Director on 22 April 2006 and will be due for re-election at the coming AGM.


ARMARDA GROUP

# Key Management



## Mr Mak Tin Sang

### Chief Financial Officer and Company Secretary

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 LottVision 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 more than 30 years of experience in the IT industry with specialisation in IT infrastructure design, application development and technology integration for 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 and held positions 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 as Principal where she managed a professional team to conduct solution/service sales and delivery activities for IBM's banking engagements in Hong Kong and China. Ms Tso was an associate partner of Business Consulting Services, IBM Global Services when she left to join our Group in 2003.

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

## Mr Wen Feng

### General Manager of Armarda Zhuhai

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

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)
Luk Chung Po, Terence (Executive Director, Deputy Chairman and Chief Executive Officer)
Gao Xiangjun, Richard (Executive Director)
(appointed on 11 March 2009)
Lee Joo Hai (Independent Director)
Phuah Lian Heng (Independent Director)

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

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

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

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

**Company Secretary**
Mak Tin Sang

**Registered Office**
Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Tel: 441 295 1443 Fax: 441 295 9216

**Bermuda Registrar and Share Registrar Agent**
Appleby Management (Bermuda) 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

**Continuing Sponsor**
Asian Corporate Advisors Pte. Ltd.
105 Cecil Street
The Octagon #11-02
Singapore 069534

# Property Information

**Major properties held for owned operations:**

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

# Corporate Governance Report

# Corporate Governance Report

## 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"), each of which operate within clearly defined and written terms of reference and functional procedures.

The Board has adopted a set of guidelines on matters that require its approval. The matters requiring the approval of the Board include the following:

- Business plans and annual budget
- Material acquisitions and divestments of assets
- Corporate strategy
- The Group's risk governance framework
- Dividends and other returns to shareholders

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.

## Principle 2: Board Composition and Guidance

## 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 [1] | Non-Executive Chairman | Member | Member | Member |
| Mr Luk Chung Po, Terence | Executive Director, Deputy Chairman and Chief Executive Officer | - | - | - |
| Mr Lin Ming Sheng, Vincent [2] | Non-executive Vice Chairman | Member | - | Member |
| Mr Lee Joo Hai | Independent Director | Chairman | Member | Member |
| Mr Phuah Lian Heng | Independent Director | Member | Chairman | Chairman |
| Mr Gao Xiangjun [3] | Executive Director | - | - | - |

**Notes:**
(1) Dr Chou Tao-Hsiung, Joseph was appointed to the Audit and Nominating Committees on 11 September 2008.
(2) Mr Lin Ming Sheng, Vincent resigned on 11 September 2008.
(3) Mr Gao Xiangjun was appointed on 11 March 2009.

The Group believes that there should be a strong and independent element in the Board to exercise objective judgment. The Board of Directors currently comprises 5 directors, of which 2 are independent and 1 is non-executive. 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, other appointments, date of appointment and last re-election date is set out on page 9 of the Annual Report. The shareholdings of the Directors in the Company and its subsidiaries are set out on page 24 of the Annual Report.

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

The non-executive Directors provide, amongst other things, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively challenge and develop proposals on strategy. The non-executive Directors also help review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. To this end and where appropriate, they may arrange for meetings without the management being present, at least on a quarterly basis and at other times when deemed necessary.

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.

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 permit a Board meeting to be conducted by way of teleconference and videoconference.

**ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND BOARD COMMITTEES HELD FROM 1 JANUARY 2008 TO 31 DECEMBER 2008**

| | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|
| **Name Of Director** | **No. of meetings held while a member** | **No. of meetings attended** | **No. of meetings held while a member** | **No. of meetings attended** | **No. of meetings held while a member** | **No. of meetings attended** | **No. of meetings held while a member** | **No. of meetings attended** |
| Dr Chou Tao-Hsiung, Joseph [1] | 6 | 6 | 1 | 1 | 2 | 2 | 2 | 2 |
| Mr Luk Chung Po, Terence | 6 | 6 | - | - | - | - | - | - |
| Mr Lin Ming Sheng, Vincent [2] | 6 | 0 | 3 | 0 | 2 | 0 | - | - |
| Mr Lee Joo Hai | 6 | 6 | 4 | 4 | 4 | 4 | 2 | 2 |
| Mr Phuah Lian Heng | 6 | 6 | 4 | 4 | 4 | 4 | 2 | 2 |
| Mr Gao Xiangjun [3] | - | - | - | - | - | - | - | - |

**Notes:**
[1] Dr Chou Tao-Hsiung, Joseph was appointed to the Audit and Nominating Committees on 11 September 2008.
[2] Mr Lin Ming Sheng, Vincent resigned on 11 September 2008.
[3] Mr Gao Xiangjun was appointed on 11 March 2009.

# Corporate Governance Report

No. of board meetings held from 1 January 2008 to 31 December 2008: 6
No. of audit committee meetings held from 1 January 2008 to 31 December 2008: 4
No. of nominating committee meetings held from 1 January 2008 to 31 December 2008: 4
No. of remuneration committee meetings held from 1 January 2008 to 31 December 2008: 2

## 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 role of the Chairman also includes ensuring effective communication with shareholders of the Company. 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 4: Board Membership

## Principle 5: Board Performance

Nominating Committee

The NC comprises Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr. Chou Tao-Hsiung, Joseph. Mr Lin Ming Sheng, Vincent ceased to be a member of the NC when he resigned on 11 September 2008, and Dr. Chou Tao-Hsiung, Joseph was appointed as a member of the NC on the same day. The NC is chaired by Mr Phuah Lian Heng, who is not associated with any substantial shareholder of the Company.

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.

In assessing the suitability of a candidate to be appointed to the Board, the NC will consider if he is able to make the appropriate contributions to the Board and the Group. The key factors which the NC will take into consideration are:

- Qualifications, industry knowledge and functional expertise which are relevant and beneficial to the Group
- Extensive experience and business contacts in the industry in which the Group operates
- Willingness and ability to commit time and resources

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.

In assessing the effectiveness of the Board, the NC performs a collective appraisal of the Board in discharging its functions, taking into account, among other things, the share price performance of the Company and the financial condition and operating results of the Group. The share price performance of the Company is not typically considered against industry benchmark as the Directors are of the view that there is no direct industry peer for which a comparison would be meaningful.

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

Mr Gao Xiangjun was appointed as an Executive Director on 11 March 2009. Under his service agreement with the Company, his initial term of appointment is for a period of three years subject to automatic renewal.

The NC has recommended to the Board that Mr Luk Chung Po, Terence and Mr Phuah Lian Heng be nominated for reappointment at the forthcoming AGM. In making its 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 secretary at all times. The company secretary administers, attends and prepares minutes of Board meetings, assists 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 Section B: Rules of Catalist of the Listing Manual of the SGX-ST (the "**Catalist Rules**") are complied with. The appointment and removal of the company secretary is a matter for the Board to decide as a whole.

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. Majority of the RC, including Mr Phuah Lian Heng, are Independent Directors.

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;
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; and
f) administering the Armarda Employee Share Option Scheme.

# Corporate Governance Report

Each member of the RC abstains from voting on any resolution, participating in any deliberation of the RC, and making any recommendation in respect of his remuneration. The RC also reviews and determines the remuneration of senior management along similar guidelines as that set out above in relation to the Directors.

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. Where necessary, the RC will refer to industry benchmarks to ensure that remuneration packages are competitive.

The Group adopts a remuneration policy for Executive Directors generally comprising a basic salary component as well as a share option component, which is performance based and seeks to align the interests of the Executive Directors with those of the shareholders and the Group.

Except for the share options granted under the Armarda Employee Share Option Scheme, Dr Chou Tao-Hsiung, Joseph and Mr Lin Ming Sheng, Vincent did not receive any compensation. The remuneration of the Independent Directors is in the form of a combination of a fixed directors' fee as well as share options, which are performance related. Such fees will be pro-rated for the financial year ended 31 December 2008. 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.

The remuneration paid to the Directors and senior Executive Officers for services rendered during the financial year ended 31 December 2008 are as follows:

| Remuneration Bands | Salary | Performance bonus | Directors' fees | Others[3] | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **Directors** | | | | | |
| S$250,000 -S$500,000 | - | - | - | - | - |
| Below S$250,000 | | | | | |
| Dr Chou Tao-Hsiung, Joseph | - | - | - | - | - |
| Mr Luk Chung Po, Terence | 100 | - | - | - | 100 |
| Mr Lin Ming Sheng, Vincent [1] | - | - | - | - | - |
| Mr Lee Joo Hai | - | - | 100 | - | 100 |
| Mr Phuah Lian Heng | - | - | 100 | - | 100 |
| Mr Gao Xiangjun[2] | | | | | |
| **Executive Officers [3]** | | | | | |
| S$250,000 -S$500,000 | | | | | |
| Ms Florence Tso | 100 | - | - | - | 100 |
| Below S$250,000 | | | | | |
| Mr Mak Tin Sang | 100 | - | - | - | 100 |
| Mr Wen Feng | 100 | - | - | - | 100 |

**Notes:**
(1) Mr Lin Ming Sheng, Vincent resigned on 11 September 2008.
(2) Mr Gao Xiangjun was appointed on 11 March 2009.
(3) Includes share options granted under the Armarda Employee Share Option Scheme.

There are no persons occupying managerial positions in the Company who are related to a Director or substantial shareholder of the Group who earned more than S$150,000 per annum for the financial year ended 31 December 2008.

Each Executive Director has a service contract with a fixed appointment period and the Remuneration Committee reviews in particular termination provisions. Such service contracts are not excessively long and they do not contain onerous removal clauses. In the event of early termination, the Executive Directors or the Company may, inter alia, terminate the service agreement by giving to the other party, inter alia, not less than six months' notice in writing, or in lieu of notice in writing.

## 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

The AC comprises Mr Lee Joo Hai, Mr Phuah Lian Heng and Dr Chou Tao-Hsiung. Mr Lin Ming Sheng, Vincent ceased to be a member of the AC when he resigned on 11 September 2008 and Dr Chou Tao-Hsiung, Joseph was appointed as a member of the AC on the same date. The AC is chaired by Mr Lee Joo Hai. Majority of the AC, including Mr. Lee Joo Hai, are Independent Directors. Dr Chou Tao-Hsiung is a Non-Executive Director.

The Chairman of the AC, Mr Lee Joo Hai, has more than 20 years of experience in accounting and auditing. The other members of the AC have a significant number of years of experience in business and financial management. For more details of the qualifications of the members of the AC, please refer to page 9 of the Annual Report.

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 4 times to discuss and review the audit plans and the audit reports.

# Corporate Governance Report

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, and reviews the effectiveness of the internal controls established by management, at least once a year. 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 AC reviews the independence of the external auditors at least once a year. 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 internal audit's functions include assisting the AC and the Board in the evaluation of the internal controls, financial and accounting matters, compliance, business and financial risk management.

The internal audit function of the Company has been outsourced to an independent firm of certified public accountants who will report directly to the Chairman of the AC on internal audit matters, and to the CFO on administrative matters.

At least once a year, the AC meets with the internal auditors without the presence of management, reviews the internal audit program, the scope and results of internal audit procedures and ensures 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 Company recognizes that effective communication can highlight transparency and enhance accountability to its shareholders.

The Company provides information to its shareholders via SGXNET announcements and news releases. Such information is available on the Company's website www.armarda.com.

The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period.

All shareholders of the Company 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 Company 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. At the Company's general meetings, the Directors as well as representatives from the external auditors are in attendance to answer queries from shareholders. All minutes of general meetings and a summary of the questions and answers raised at general meetings are available to shareholders upon their request.

The Company's Bye-laws allow a shareholder to appoint one or two proxies to attend and vote at general meetings.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

## Whistle blowing policy

As a further enhancement to internal risk control processes, the Group has developed and implemented a whistle blowing policy in 2006 across the Group. This policy sets out the procedures for employees of the Group to raise concerns and report any suspected wrongdoing within the Group (including criminal activities, failure to comply with laws and regulations, financial malpractice or fraud). Under the policy, employees may report their concerns to either their line managers, or even approach the human resources manager or the Chief Executive Officer.

## Material Contracts

Save for the service agreement between Mr Luk Chung Po, Terence, an Executive Director and the Company, 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 2008.

## Risk Management

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 67 to 70 of the Annual Report.

## Armarda Employee Share Option Scheme ("ESOS")

The ESOS is administered by the Remuneration Committee comprising Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr Chou Tao-Tsiung, Joseph. There were no share options granted during the financial year ended 31 December 2008. Details of the ESOS is set out on page 61-62 of the Annual Report.

## Dealings in Securities

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 in line with the best practices guide issued by the SGX-ST.

## Interested Person Transactions

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 were no transactions with interested persons during the financial year ended 31 December 2008 as specified in Chapter 9 of the Catalist Rules.

## Use of Placement Proceeds

The net proceeds received by the Company of approximately HK$69,832,000 from the issue of 43,750,000 shares pursuant to a placement exercise made on 31 July 2007 has been fully utilised to pay off acquisition proceeds as disclosed in an announcement made on 10 February 2009.

| Date of Announcement | Use of Proceeds | Usage Amt |
|---|---|---|
| 25 February 2008 | Financing of the settlement of the first two tranche payments of HK$20,000,000 each for the acquisition of 55% equity interests in Brilliant Time Limited ("**Brilliant Time**") | HK$40,000,000 |
| 2 April 2008 | Financing of the Phase 3 and final phase investment pursuant to a joint venture agreement with the Fesco Group in China | HK$3,200,000 |
| 2 April 2008 | Financing of the partial settlement of the third tranche payment of HK$30,000,000 for the acquisition of 55% equity interests in Brilliant Time | HK$13,000,000 |
| 10 February 2009 | Financing of the partial settlement of the first tranche payment of HK$16,320,000 for the acquisition of additional 20% equity interests in Brilliant Time | HK$13,632,000 |
| **Total** | | **HK$69,832,000** |

## Non-sponsor Fees

There was no non-sponsor fee paid during the financial year ended 31 December 2008.

# Directors' Report

**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 2008.**

# Directors' Report

## Directors

The Directors in office during the financial year and as at the date of this report are

| | |
|---|---|
| Dr Chou Tao-Hsiung, Joseph | (Non-executive Chairman) |
| Mr Luk Chung Po, Terence | (Executive Director, Deputy Chairman & Chief Executive Officer) |
| Mr Gao Xiangjun, Richard | (Executive Director) (Appointed on 11 March 2009) |
| Mr Lee Joo Hai | (Independent Director) |
| Mr Phuah Lian Heng | (Independent Director) |

## Directors' Interests

According to the Register of Directors' Shareholdings kept by the Company, particulars of interests of the Directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

| | Shareholdings in the name of the Director | | Shareholdings in which the Director is deemed to have an interest | |
|---|---|---|---|---|
| | At 31 Dec 2007 | At 31 Dec 2008 | At 31 Dec 2007 | At 31 Dec 2008 |
| **The Company** | | | | |
| Ordinary Shares of HK$0.20 each fully paid | | | | |
| Dr Chou Tao-Hsiung, Joseph | 887,626 | 887,626 | - | - |
| Mr Luk Chung Po, Terence | 8,876,255 | 8,876,255 | 44,308,277 | 44,308,277 |
| Mr Lee Joo Hai | - | - | - | - |
| Mr Phuah Lian Heng | - | - | - | - |

| | | | Options Holdings in the name of the Director | |
|---|---|---|---|---|
| **Options to subscribe for Ordinary Shares of HK$0.20 each** | **Exercise price** | **Exercise Period** | **At 31 Dec 2007** | **At 31 Dec 2008** |
| Dr Chou Tao-Hsiung, Joseph | S$0.213 | 2 Nov 2008 - 2 Nov 2012 | - | 1,000,000 |
| | S$0.213 | 2 Nov 2009 - 2 Nov 2012 | - | 1,000,000 |
| Mr Luk Chung Po, Terence | S$0.213 | 2 Nov 2008 - 2 Nov 2012 | - | 3,000,000 |
| | S$0.213 | 2 Nov 2009 - 2 Nov 2012 | - | 3,000,000 |
| Mr Lee Joo Hai | S$0.213 | 2 Nov 2008 - 2 Nov 2012 | - | 400,000 |
| | S$0.213 | 2 Nov 2009 - 2 Nov 2012 | - | 400,000 |
| Mr Phuah Lian Heng | S$0.213 | 2 Nov 2008 - 2 Nov 2012 | - | 350,000 |
| | S$0.213 | 2 Nov 2009 - 2 Nov 2012 | - | 350,000 |

The directors' interest as at 21 January 2009 were as the same as the end of the year.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Except as disclosed above and under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 a 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.

## Share Options

The Armarda Employee Share Option Scheme (the "Scheme") was approved and adopted by its members on 12 April 2004.

The Scheme is administered by the Company's Remuneration Committee comprising the following Directors:

| | |
|---|---|
| Mr Phuah Lian Heng | (Chairman / Independent Director) |
| Mr Lee Joo Hai | (Member / Independent Director) |
| Dr Chou Tao-Hsiung, Joseph | (Member / Non-executive Chairman) |

The principal terms of the Scheme are as follows:

**(a) Eligibility**

Under the rules of the Scheme, executive and non-executive directors and employees of the Group, who are not controlling shareholders of the Company or their associates, are eligible to participate in the Scheme.

**(b) Maximum Entitlement**

The number of options to be offered to a participant of the Scheme shall be determined at the absolute discretion of the Remuneration Committee, who shall take into account criteria such as rank, past performance, years of service and potential contributions to the Group for future development of that participant.

**(c) Size of Scheme**

The aggregate number of shares over which the Remuneration Committee may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the Scheme and any other share option schemes of the Company, shall not exceed 15% of the issued shares of the Company on the day preceding the date of the relevant grant.

**(d) Exercise Price**

Exercise price may be the market price at the date of grant of the options or a price set at a discount to the market price at the date of grant of the options provided that maximum discount shall not exceed 20% of the market price. The exercise price of all options granted by the Company during the financial year was computed on the basis of market price without discount.

**(e) Option Period**

Options granted with the exercise price set at the market price at the date of grant of the options may be exercised after the first anniversary of the offer date. If the options are granted with an exercise price set at a discount to the market price at the date of grant of the options, options may be exercised after the second anniversary of the offer date.

The life span of options granted is 5 years from the grant date.

**(f) Vesting Period**

The vesting periods of the options granted are one to two years.

**(g) Methodology of valuing stock options**

Please refer to page 61 to 62 for further information.

## Options Granted During The Year

No options were granted under the scheme during the financial year.

## Issue of Shares Under Option

No shares were issued under the Scheme during the financial year ended 31 December 2008.

## Unissued Shares Under The Scheme

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of HK$0.20 each of the Company were as follows:

| Date of grant of options | Exercise price per share | Options outstanding at 31 Dec 2007 | Options granted | Options exercised | Options cancelled/ lapsed | Options outstanding at 31 Dec 2008 | Number of option holders at 31 Dec 2008 | Exercise period |
|---|---|---|---|---|---|---|---|---|
| 2 Nov 2007 | S$0.213 | - | 12,500,000 | - | 650,000 | 11,850,000 | 27 | 2 Nov 2008 - 2 Nov 2012 |
| 2 Nov 2007 | S$0.213 | - | 12,500,000 | - | 650,000 | 11,850,000 | 27 | 2 Nov 2009 - 2 Nov 2012 |

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any rights to participate in any share issue of any other company.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

## Summary of the plan

| Name of Participant | Options granted during financial year under review | Aggregate options granted since commencement of scheme to 31 December 2008 | Options lapsed during financial year under review | Aggregate options exercised since commencement of scheme to 31 December 2008 | Aggregate options outstanding as at 31 December 2008 |
|---|---|---|---|---|---|
| **(i) Directors** | | | | | |
| Dr Chou Tao-Hsiung, Joseph | - | 2,000,000 | - | - | 2,000,000 |
| Mr Luk Chung Po | - | 6,000,000 | - | - | 6,000,000 |
| Mr Lee Joo Hai | - | 800,000 | - | - | 800,000 |
| Mr Phuah Lian Heng | - | 700,000 | - | - | 700,000 |
| Lin Ming Sheng, Vincent[(1)] | - | 1,000,000 | (1,000,000) | - | - |
| **(ii) Participants who are controlling shareholders of the issuer and their associates** | | | | | |
| - | - | - | - | - | - |
| **(iii) Participants, other than those in (i) and (ii) above, who receive 5% or more of the total number of options available under the scheme** | | | | | |
| Mak Tin Sang | - | 4,000,000 | - | - | 4,000,000 |
| Wang Hui | - | 2,000,000 | - | - | 2,000,000 |
| Wen Feng | - | 2,000,000 | - | - | 2,000,000 |
| Zhang Yu Lin | - | 2,000,000 | - | - | 2,000,000 |
| **(iv) Participants who received less than 5% of the total grants available** | | | | | |
| Other employees | - | 4,500,000 | (300,000) | - | 4,200,000 |
| | | 25,000,000 | (1,300,000) | | 23,700,000 |

[(1)]: Lin Ming Sheng, Vincent resigned from the Company on 11 September 2008.

## Warrants

There were no warrants granted by the Company during the financial year.

# Directors' Report

## Audit Committee

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

The Audit Committee comprises three members, who are independent of management within the meaning of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Listing Manual"), as follows:

| | |
|---|---|
| Mr Lee Joo Hai | (Chairman/Independent Director) |
| Mr Phuah Lian Heng | (Independent Director) |
| Dr. Chou Tao-Hsiung, Joseph | (Non-Executive Chairman) |

The Audit Committee held four meetings since the last directors' report. In performing its function, the Audit Committee met with the Group's management and the Company's external auditors to discuss and review the following:

i. the audit plan of the external auditors of the Group and the results of their examination and evaluation of the Group's systems of internal accounting controls;

ii. the Group's financial and operating results and accounting policies;

iii. that no restrictions were being placed by the management upon the work of the external auditors;

iv. the Group's transactions with related parties and interested persons;

v. the annual and quarterly financial statements to be announced to shareholders before their submission to the Board of Directors for adoption; and

vi. the independence of the external auditors.

The Audit Committee performed the functions specified in the Listing Manual which included a review of the financial statements of the Group and of the Company for the financial year ended 31 December 2008 and the auditors' report thereon.

The Audit Committee is authorised to investigate any matters within its terms of reference, has full access to management and also full discretion to invite any director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

## Auditors

The auditors, KPMG, have indicated their willingness to accept re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board of Directors

Chou Tao-Hsiung, Joseph
Non-Executive Chairman

Luk Chung Po, Terence
Director and Chief Executive Officer

18 March 2009

# Statement By The Directors

# Statement By The Directors

## 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 2008, 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

18 March 2009

# Armarda Group Limited And Its Subsidiaries

Financial Statements for the Year Ended 31 December 2008

## Financial Statements Index

# Independent auditor's report

To the shareholders of

Armarda Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the accompanying consolidated financial statements of Armarda Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated and company income statements, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2008, and of the financial performance of the Company and the Group and the cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

**KPMG**

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road,
Central, Hong Kong
18 March 2009

# Income statements

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)



| | Note | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | | $'000 | $'000 | $'000 | $'000 |
| Revenue | 5 | 77,751 | 34,403 | - | - |
| Other income | 5 | 1,950 | 2,299 | 4,270 | 4,802 |
| Staff costs | 6 | (20,034) | (10,377) | (4,256) | (1,332) |
| Depreciation | 11 | (3,793) | (3,649) | - | - |
| Amortisation | 12 | (4,086) | - | - | - |
| Cost of goods sold | | (28,263) | (1,812) | - | - |
| Other expenses | 6 | (25,944) | (16,407) | (2,674) | (1,774) |
| Finance costs | 6 | (5) | (9) | - | - |
| Share of profits of associates | 10 | 1,507 | 5,529 | - | - |
| **(Loss) / profit before taxation** | 6 | (917) | 9,977 | (2,660) | 1,696 |
| Income tax (expense) / credit | 7 | (601) | 286 | - | - |
| **(Loss) / profit for the year** | | (1,518) | 10,263 | (2,660) | 1,696 |
| **Attributable to:** | | | | | |
| Equity shareholders of the Company | 21 | (5,893) | 10,263 | (2,660) | 1,696 |
| Minority interest | 21 | 4,375 | - | - | - |
| **(Loss) / profit for the year** | | (1,518) | 10,263 | (2,660) | 1,696 |
| **(Loss) / earnings per share** | | | | | |
| Basic | 8 | (1.52 cents) | 2.83 cents | | |
| Diluted | 8 | N/A | N/A | | |

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

Armarda Group Limited and its subsidiaries

# Balance sheets

As at 31 December 2008
(Expressed in Hong Kong dollars)

| | Note | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Investments in subsidiaries | 9 | - | - | 51,220 | 46,354 |
| Interest in associates | 10 | 24,134 | 43,335 | - | - |
| Property, plant and equipment | 11 | 9,562 | 12,660 | - | - |
| Intangible assets | 12 | 97,782 | - | - | - |
| Amounts due from subsidiaries | 13 | - | - | 147,474 | 146,180 |
| Other assets | 14 | 900 | 845 | - | - |
| Prepayment | 15 | 1,304 | - | - | - |
| | | 133,682 | 56,840 | 198,694 | 192,534 |
| **Current assets** | | | | | |
| Trade and other receivables | 15 | 120,345 | 71,162 | 218 | 126 |
| Cash and cash equivalents | 16 | 65,943 | 145,063 | 4 | 4 |
| | | 186,288 | 216,225 | 222 | 130 |
| **Current liabilities** | | | | | |
| Obligations under finance lease | 17 | 45 | 88 | - | - |
| Other payables and accruals | | 35,395 | 9,354 | 1,063 | 271 |
| Taxation payable | | 411 | 601 | - | - |
| | | 35,851 | 10,043 | 1,063 | 271 |
| **Net current assets / (liabilities)** | | 150,437 | 206,182 | (841) | (141) |
| **Non-current liabilities** | | | | | |
| Obligations under finance lease | 17 | - | 45 | - | - |
| Deferred tax liabilities | 18 | 2,345 | 1,868 | - | - |
| | | 2,345 | 1,913 | - | - |
| **Net assets** | | 281,774 | 261,109 | 197,853 | 192,393 |
| **Total equity** | | | | | |
| Share capital | 20 | 77,636 | 77,636 | 77,636 | 77,636 |
| Reserves | 21 | 195,860 | 183,473 | 120,217 | 114,757 |
| Total equity attributable to equity holders of the Company | | 273,496 | 261,109 | 197,853 | 192,393 |
| Minority interest | 21 | 8,278 | - | - | - |
| | | 281,774 | 261,109 | 197,853 | 192,393 |

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

Armarda Group Limited and its subsidiaries

# Consolidated statement of changes in equity

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

| | Note | $'000 |
|---|---|---|
| Balance at 1 January 2007 | | 169,977 |
| Net profit for the year | | 10,263 |
| Exchange differences on translation of financial statements of foreign entities | 21 | 9,457 |
| Shares issued | | |
| - par value | 20 | 8,750 |
| - premium received | 21 | 61,082 |
| Equity settled share-based payment | 21 | 1,580 |
| Balance at 31 December 2007 | | 261,109 |
| Balance at 1 January 2008 | | 261,109 |
| Net loss for the year | | (1,518) |
| Exchange differences on translation of financial statements of foreign entities | 21 | 10,062 |
| Equity settled share-based payment | 21 | 8,120 |
| Revaluation surplus on acquisition of a subsidiary | 21 | 98 |
| Contribution from minority interest | 21 | 8,173 |
| Dividends to minority interest | 21 | (4,270) |
| Balance at 31 December 2008 | | 281,774 |

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

Armarda Group Limited and its subsidiaries

# Consolidated statement of cash flows

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

| | Note | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss) / profit before taxation | | (917) | 9,977 |
| Adjustments for: | | | |
| Interest income | 5 | (1,943) | (2,250) |
| Share of profits of associates | 10 | (1,507) | (5,529) |
| Loss on disposal of property, plant and equipment | 6 (b) | 6 | 109 |
| Finance costs | 6 (c) | 5 | 9 |
| Depreciation | 11 | 3,793 | 3,649 |
| Amortisation of intangible assets | 12 | 4,086 | - |
| Equity settled share-based payment | 19 (c) | 8,120 | 1,580 |
| Foreign exchange gain | | (1,182) | (4,205) |
| | | 10,461 | 3,340 |
| (Increase) / decrease in trade and other receivables | | (14,574) | 11,985 |
| Decrease in other payables and accruals | | (12,854) | (3,580) |
| | | (16,967) | 11,745 |
| Interest received | | 1,943 | 1,575 |
| Interest paid | | (5) | (9) |
| Income taxes paid | | (347) | (514) |
| **Net cash (used in) / generated from operating activities** | | (15,376) | 12,797 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 11 | (60) | (394) |
| Acquisition of associates | | - | (16,361) |
| Dividend received from an associate | 10 | 1,531 | 4,220 |
| Refundable acquisition deposits | 15 | (36,998) | (20,000) |
| Acquisition of a subsidiary net with cash acquired | 4 | (29,784) | - |
| Proceeds from disposal of property, plant and equipment | | - | 6 |
| **Net cash used in investing activities** | | (65,311) | (32,529) |
| **Cash flows from financing activities** | | | |
| Repayment of finance lease obligations | | (88) | (83) |
| Dividend paid to minority interest | 21 | (4,270) | - |

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

| | Note | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| **Cash flows from financing activities (continued)** | | | |
| Issue of shares, net of issue costs | 20 | - | 69,832 |
| **Net cash (used in) / generated from financing activities** | | (4,358) | 69,749 |
| **Net (decrease) / increase in cash and cash equivalents** | | (85,045) | 50,017 |
| **Cash and cash equivalents at 1 January** | | 145,063 | 89,505 |
| **Effect of exchange rate fluctuations on cash held** | | 5,925 | 5,541 |
| **Cash and cash equivalents at 31 December** | 16 | 65,943 | 145,063 |

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

# Notes to the financial statements

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

**These notes form an integral part of the financial statements.**
**The financial statements were authorised for issue by the board of directors on 18 March 2009.**

## 1 Reporting entity

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 9 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 ("SESDAQ") on 21 May 2004. SGX-ST has launched Catalist, a new sponsor-supervised board for fast-growing companies to replace SESDAQ on 17 December 2007. The Company completed the transition to the Catalist sponsor supervised regime on 20 October 2008.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

## 2 Basis of preparation

### (a) Statement of compliance

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

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

### (c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), which is the Company's functional currency. The functional currencies of the subsidiaries and associates in the People Republic of China ("PRC") and Singapore are Renminbi ("RMB") and Singapore dollar ("SGD") respectively. All financial information presented in HKD has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 25.

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

### (a) Basis of consolidation

#### (i) Subsidiaries and minority interest

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Minority interest represents the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interest is presented in the consolidated balance sheet within equity, separately from equity attributable

to the equity shareholders of the Company.

Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

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

**(ii) Associates (equity accounted investees)**

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% to 50% of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income, expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**(iii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## (b) Foreign currency

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to HKD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to HKD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

## (c) Property, plant and equipment

### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see note 3(h)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment, after taking into account of the estimated residual values of items of property, plant and equipment, if any. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold properties | 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 |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

## (d) Intangible assets

### (i) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating units") and is tested annually for impairment (see note 3 (h)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (ii) Other intangible asset

Other intangible asset represents the customer relationship that is acquired by the Group, which has a finite useful life, is measured at cost less accumulated amortisation and impairment losses.

### (iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### (iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful life of customer relationship is 10 years.

Amortization method and useful lives are reviewed annually.

### (e) Other assets

Other assets represent transferable life memberships of golf club which are stated at cost less impairment losses (see note 3(h)).

### (f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheets.

### (g) Financial instruments

#### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and other payables and accruals.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

- Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Accounting for finance income and costs are discussed in note 3(l) and 3(n) respectively.

- Trade receivables, other receivables, other payables and accruals

Trade receivables, other receivables, other payables and accruals are measured at amortised cost using the effective interest method, less any impairment losses (note 3(h)).

#### (ii) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### (h) Impairment

#### (i) Financial assets

- Trade and other receivables, cash and cash equivalents

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

#### (ii) Non-financial assets

- Investments in subsidiaries, interest in associates, property, plant and equipment, intangible assets and other assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating

unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the cash-generating unit. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, had no impairment loss been recognised in prior years.

### (i) Employee benefits

#### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

#### (iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as staff costs, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

### (j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

### (k) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss 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 substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### (l) Revenue

#### (i) Provision of services

Revenue from the provision of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting 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.

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

### (m) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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.

### (n) Finance costs

Finance costs comprise interest expense of finance lease payments, which are recognised in profit or loss using the effective interest rate method.

### (o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is

calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### (p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

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 comprise mainly corporate assets and related expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and other non-current assets.

### (q) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### (r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 consolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 5). IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. Under the management approach, the Group will present segment information in respect of

provision of IT services segment and trading of IT equipment segment.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore, there will be no impact on prior periods in the Group's 2009 consolidated financial statements.

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 consolidated financial statements, is not expected to have any significant impact on the consolidated financial statements.

- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have an impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 consolidated financial statements, with retrospective application required, are not expected to have any impact on the consolidated financial statements.

- Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a

subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

## (s) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is discussed in the notes specific to that asset or liability.

### (i) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the discounted cash flow method, whereby the value is estimated as the present value of the future profits from the customers as at the acquisition date, discounted at the market rate of interest at the reporting date.

### (ii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### (iii) Other payables and accruals and finance leases

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

### (iv) Share-based payment transactions

The fair value of employee share options is measured using a binomial model with modification.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## 4 Acquisition of a subsidiary

First stage of acquisition:

On 6 February 2006, one of the subsidiaries of the Group named Armarda Holdings Limited ("AHL") entered into a sale and purchase agreement with an individual (the "Vendor") to acquire 25% of the equity interest of Brilliant Time Limited ("BTL") for a consideration of $20,694,000 and the transaction was completed on 18 June 2006.

Second stage of acquisition:

On 21 November 2007, AHL entered into a sale and purchase agreement with the Vendor to further acquire 55% of equity interest of BTL for a net consideration of $72,911,000 from the Vendor and the transaction was completed on 19 January 2008.

Accordingly, the Group had acquired 800 shares of BTL representing 80% of the share capital of BTL and BTL became a subsidiary of the Group as at that date. The newly acquired subsidiary has contributed revenue and profit of $50,946, 000 and $21,875,000 respectively for the year.

The acquisition has the following effect on the Group's assets and liabilities:
For the first stage acquisition of 25% of equity interest on 18 June 2006

| | **Pre Acquisition Carrying Amounts $000** | **Fair value adjustment $000** | **Recognised values on acquisition $000** |
|---|---|---|---|
| Intangible asset - customer relationship | - | 31,904 | 31,904 |
| Trade and other receivables | 19,179 | - | 19,179 |
| Other assets | 2,494 | - | 2,494 |
| Cash and cash equivalents | 1,213 | - | 1,213 |
| Trade payables | (8,814) | - | (8,814) |
| Other payables and accruals | (5,500) | - | (5,500) |
| Net identifiable assets and liabilities of BTL | 8,572 | 31,904 | 40,476 |
| Net identifiable assets and liabilities attributable to the Group | | | 10,119 |
| Goodwill on first stage acquisition | | | 10,575 |
| Cost of first stage acquisition | | | 20,694 |

For the second stage of acquisition of 55% of equity interest on 19 January 2008

| | Pre Acquisition Carrying Amounts $000 | Fair value adjustment $000 | Recognised values on acquisition $000 |
|---|---|---|---|
| Intangible asset - customer relationship | - | 40,859 | 40,859 |
| Trade and other receivables | 15,523 | - | 15,523 |
| Cash and cash equivalents | 1,327 | - | 1,327 |
| Trade payables | (1,440) | - | (1,440) |
| Other payables and accruals | (15,402) | - | (15,402) |
| Net identifiable assets and liabilities of BTL | 8 | 40,859 | 40,867 |
| Net identifiable assets and liabilities attributable to the Group | | | 22,477 |
| Goodwill on second stage acquisition | | | 50,434 |
| Cost of second stage acquisition | | | 72,911 |
| Total net identifiable assets and liabilities attributable to the Group on first and second stages acquisitions | | | 32,596 |
| Total goodwill | | | 61,009 |
| Total cost of acquisitions | | | 93,605 |
| Total purchase consideration, satisfied in cash | | | 93,605 |
| Cash acquired | | | (1,327) |
| Net cash outflow | | | (92,278) |
| Representing: | | | |
| Cash paid in years prior to 2007 | | | 20,694 |
| Cash paid in 2007 | | | 20,000 |
| Cash paid in 2008 | | | 31,111 |
| Other payables | | | 21,800 |
| | | | 93,605 |

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisitions. The value of assets and liabilities recognised on acquisitions are their fair values determined by the directors, following advice sought from an independent professional valuer, Vigers Apprasial & Consulting Limited, with recent experience on evaluating similar acquisition exercises. In determining the fair value of customer relationships acquired, the Group applied discount rates of 18% and 15% for the first and second acquisitions respectively and a retention rate of 80% to the existing customers to the ten-year profit forecast of the Group.

Apart from intangible assets, the acquiree's book value of net assets and liabilities acquired at the date of acquisition approximated their fair values as disclosed above.

## 5 Revenue and segment reporting

The Group comprises two business segments (i) provision of IT services (ii) trading of IT equipment, which are the basis on which the Group reports its primary segment information.

### (a) Business segments

| | Year ended 31 December 2008 | | | |
|---|---|---|---|---|
| | **Provision of IT services $'000** | **Trading of IT equipment $'000** | **Unallocated $''000** | **Total $'000** |
| Revenue ( including other operating income) | 40,102 | 37,649 | 1,950 | 79,701 |
| Segment results | 22,283 | 8,376 | 1,950 | 32,609 |
| Unallocated expenses | | | | (35,028) |
| Finance costs | | | | (5) |
| Share of profits of associates | | | | 1,507 |
| Income tax expense | | | | (601) |
| Loss for the year | | | | (1,518) |
| Segment assets and total assets | 173,569 | 37,331 | 109,070 | 319,970 |
| Segment liabilities and total liabilities | 12,541 | 2,735 | 22,920 | 38,196 |
| Capital expenditure | - | - | 60 | 60 |
| Depreciation | 2,733 | - | 1,060 | 3,793 |
| Amortisation | 3,076 | 1,010 | - | 4,086 |

For the year ended 31 December 2007, the Group operates principally as a single business segment for the provision of IT services to customers in the PRC.

During the year, the Group received non-refundable lump sum licence fees totalling $3,228,000 (2007: $4,635,000) from certain independent customers for the licensed uses of the Group's computer application systems for a period 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. The Group has neither balances nor transactions between segments for the year ended 31 December 2008.

Other income comprises:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Interest income | 1,943 | 2,250 | - | - |
| Interest income from a subsidiary | - | - | 4,270 | 4,802 |
| Others | 7 | 49 | - | - |
| | 1,950 | 2,299 | 4,270 | 4,802 |

**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:

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Revenue** | | |
| PRC | 77,751 | 34,403 |
| Unallocated revenue | 1,950 | 2,299 |
| | 79,701 | 36,702 |
| **Capital expenditure** | | |
| PRC | 50 | 20,304 |
| Hong Kong | 10 | 384 |
| | 60 | 20,688 |

Note:Capital expenditure comprises additions to property, plant and equipment and interest in associates.

| | | |
|---|---|---|
| **Segment assets** | | |
| PRC | 155,805 | 149,835 |
| Hong Kong | 163,872 | 123,030 |
| Singapore | 293 | 200 |
| | 319,970 | 273,065 |

## 6 (Loss) / profit before taxation

(Loss) / profit before taxation is arrived at after charging:

### (a) Staff costs

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Salaries and allowances | 11,318 | 8,179 | 1,002 | 659 |
| Contributions to defined contribution retirement plans | 419 | 261 | - | - |
| Equity settled share-based payment (note 19(c)) | 8,120 | 1,580 | 3,254 | 673 |
| Other welfare and benefits | 177 | 357 | - | - |
| | 20,034 | 10,377 | 4,256 | 1,332 |
| Remuneration of directors included in staff costs: | | | | |
| - Directors of the Company | 5,058 | 2,644 | 3,846 | 1,332 |
| - Other directors | 3,352 | 1,700 | 410 | - |

### (b) Other expenses

| | | | | |
|---|---|---|---|---|
| Non-audit fees paid to auditors of the Company (note) | 117 | 57 | - | - |
| Consultancy and subcontracting fees | 12,010 | 6,796 | - | - |
| Operating lease charges in respect of properties | 1,522 | 1,141 | - | - |
| Promotion and marketing expenses | 1,789 | 1,397 | - | 41 |
| Travelling expenses | 2,895 | 2,283 | 74 | 136 |
| Loss on disposal of property, plant and equipment | 6 | 109 | - | - |
| Net exchange loss | 930 | 429 | 45 | 41 |
| Legal and professional fee | 2,912 | 1,493 | 1,565 | 1,206 |
| Others | 3,763 | 2,702 | 990 | 350 |
| | 25,944 | 16,407 | 2,674 | 1,774 |

Note:$35,000 non-audit fees were paid to other auditors engaged by certain subsidiaries during 2008 (2007: nil).

### (c) Finance costs

| | | | | |
|---|---|---|---|---|
| Interest expense on | | | | |
| - secured bank loan | - | - | - | - |
| - finance lease obligations | 5 | 9 | - | - |
| | 5 | 9 | - | - |

## 7 Income tax (expense) / credit

### (a) Income tax in the income statement represents:

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | **$'000** | **$'000** |
| Current tax expense | (124) | (134) |
| Deferred tax (expense) / credit (note 18) | (477) | 420 |
| | (601) | 286 |

### (b) Reconciliation of effective tax rate:

| | | |
|---|---|---|
| Consolidated (loss) / profit before taxation | (917) | 9,977 |
| Applicable tax rate in Hong Kong | 16.5% | 17.5% |
| Expected taxation | (151) | 1,746 |
| Adjustments: | | |
| Tax rate differential of subsidiaries | (142) | (5) |
| Tax effect of non-taxable income | (11,000) | (3,064) |
| Tax effect of non-deductible expenses | 10,094 | 2,209 |
| Over-provision of tax in prior years | (18) | (1,203) |
| Tax losses not recognised | 1,818 | 31 |
| | 601 | (286) |

The Group's profits derived in Hong Kong are subject to Hong Kong profits tax at 16.5% (2007: 17.5%). No provision for Hong Kong profits tax was made, as there was no assessable profits for Hong Kong profits tax for the year (2007: 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") was fully exempted from PRC income tax for the first two profitable years in 2004 and 2005. Armarda Zhuhai would be entitled to 50% exemption from the applicable standard income rate for the further three years in 2006, 2007 and 2008 if its production-oriented revenue exceeded 50% of its total revenue in each year ("50% Criteria"). As Armarda Zhuhai did not meet the 50% Criteria in 2008, Armarda Zhuhai was subject to PRC income tax at 18% for 2008 (2007: 15%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new Corporate Income Tax Law of the People's Republic of China ("new tax law") which has taken effect on 1 January 2008. Since Armarda Zhuhai is registered in the Zhuhai Special Economic Zone, from 1 January 2008, the income tax rate is expected to gradually increase from 18% to the standard rate of 25% over a five-year transition period.

The 50% exemption of Armarda Zhuhai is grandfathered under the new tax law.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors from a PRC entity effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. Since Armarda Zhuhai is wholly owned by Armarda Technology (Hong Kong) Limited, a Hong Kong registered company, the applicable withholding tax rate will be 5%. On 22 February 2008, Caishui (2008) No.1 was promulgated by the tax authorities to specify that dividends from the retained earnings as at 31 December 2007 are exempted from the withholding tax. The deferred withholding tax provided in respect of the profit for the year of Armarda Zhuhai is $730,000 (2007:nil).

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 (2007: nil).

## 8 (Loss) / earnings per share

### (a) Basic loss / earnings per share

The calculation of basic loss / earnings per share at 31 December 2008 was based on the Group's loss attributable to equity shareholders of $5,893,000 (2007: profit of $10,263,000) and the weighted average number of ordinary shares of 388,182,140 (2007: 362,771,181) in issue during the year.

Weighted average number of ordinary shares

| | 2008<br>'000 | 2007<br>'000 |
|---|---|---|
| Issued ordinary shares at 1 January | 388,182 | 344,432 |
| Effect of new ordinary shares issued (note 20) | - | 18,339 |
| Weighted average number of ordinary shares at 31 December | 388,182 | 362,771 |

### (b) Diluted earnings per share

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

## 9 Investments in subsidiaries

| | The Company | |
|---|---|---|
| | 2008<br>$'000 | 2007<br>$'000 |
| Unlisted shares, at cost | 51,220 | 46,354 |

# Notes to the financial statements

for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

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) | Provision of IT consulting and IT support services | 29 November 2001 BVI | 100% |
| Armarda International Inc. (i) | Investment holding | 25 June 2003 BVI | 100% |
| Armarda eAccess Technology Limited (i) | Investment holding | 29 August 2007 BVI | 100% |
| Armarda Technology (Zhuhai) Limited (ii) | Provision of IT services & trading of IT equipment | 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) | Liaison office | 14 May 2003 Republic of Singapore | 100% |
| Brilliant Time Limited (v) | Provision of IT services & trading of IT equipment | 28 January 2000 BVI | 80% |

(i) The financial statements of Armarda Holdings Limited, Armarda Technology Services Limited, Armarda International Inc. and Armarda eAccess Technology Limited 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 in Hong Kong.

(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.

(v) The financial statements of BTL were audited by To & Tse CPA & Company, a firm of Certified Public Accountants under Section 28A of the Professional Accountants Ordinance, Chapter 50 in Hong Kong.

## 10 Interest in associates

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | **$'000** | **$'000** |
| Share of net assets | 21,211 | 29,837 |
| Goodwill | 2,923 | 13,498 |
| | 24,134 | 43,335 |

Particulars of the associate as at 31 December 2008 are set out below:

| Name of associate | Principal activities | Date and place of incorporation | Effective interest |
|---|---|---|---|
| Fesco E-HR Service (Beijing) Co., Ltd. ("Fesco") (i) | Provision of IT consulting and IT support services | 27 November 2000 The PRC | 45% |

(i) Fesco is a sino-foreign joint venture enterprise established in the PRC and its statutory financial statements were audited by Beijing Chi Chuan Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants.

**Summary financial information on associates**

| | Assets | Liabilities | Equity | Revenues | Profit |
|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **2008** | | | | | |
| 100 per cent | 60,785 | (13,650) | 47,135 | 51,619 | 3,350 |
| Group's effective interest | 27,353 | (6,142) | 21,211 | 23,229 | 1,507 |
| **2007** | | | | | |
| 100 per cent | 91,596 | (4,883) | 86,713 | 37,606 | 22,045 |
| Group's effective interest | 31,402 | (1,565) | 29,837 | 12,672 | 5,529 |

During the year, the Group received a dividend of $1,531,000 from BTL. BTL was an associate of the Group as at 31 December 2007 and became a subsidiary of the Group upon further acquisition of 55% of equity interest in January 2008 (see note 4).

Management considers that since Fesco is profit making for the year and the recoverable amount calculated based on the estimated future cash flows discounted to their present value using a pre-tax discount rate of 12% exceeds the carrying amount, no impairment is required.

## 11 Property, plant and equipment

**The Group**

| | Leasehold properties $'000 | Leasehold improvements $'000 | Furniture fixtures, computer and other equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 January 2007 | 8,360 | 2,231 | 12,542 | 1,332 | 24,465 |
| Additions | - | 268 | 126 | - | 394 |
| Disposals | - | (48) | (277) | - | (325) |
| Exchange adjustments | 581 | 151 | 577 | 36 | 1,345 |
| At 31 December 2007 | 8,941 | 2,602 | 12,968 | 1,368 | 25,879 |
| At 1 January 2008 | 8,941 | 2,602 | 12,968 | 1,368 | 25,879 |
| Additions | | 5 | 55 | | 60 |
| Disposals | | | (30) | | (30) |
| Exchange adjustments | 575 | 149 | 566 | 36 | 1,326 |
| At 31 December 2008 | 9,516 | 2,756 | 13,559 | 1,404 | 27,235 |
| **Accumulated depreciation:** | | | | | |
| At 1 January 2007 | 1,166 | 1,379 | 6,064 | 647 | 9,256 |
| Charge for the year | 400 | 471 | 2,515 | 263 | 3,649 |
| Written back on disposal | - | (46) | (164) | - | (210) |
| Exchange adjustments | 96 | 108 | 305 | 15 | 524 |
| At 31 December 2007 | 1,662 | 1,912 | 8,720 | 925 | 13,219 |
| At 1 January 2008 | 1,662 | 1,912 | 8,720 | 925 | 13,219 |
| Charge for the year | 427 | 586 | 2,565 | 215 | 3,793 |
| Written back on disposal | | | (24) | | (24) |
| Exchange adjustments | 120 | 136 | 408 | 21 | 685 |
| At 31 December 2008 | 2,209 | 2,634 | 11,669 | 1,161 | 17,673 |
| **Net book value:** | | | | | |
| At 31 December 2008 | 7,307 | 122 | 1,890 | 243 | 9,562 |
| At 31 December 2007 | 7,279 | 690 | 4,248 | 443 | 12,660 |

As at 31 December 2008, the net book value of a motor vehicle held under a finance lease amounted to $52,850 (2007: $143,000).

## 12 Intangible assets

| | Customer Relationship $'000 | Goodwill $'000 | Total $'000 |
|---|---|---|---|
| At 1 January 2007 and 31 December 2007 | - | - | - |
| At 1 January 2008 | | | |
| Transfer from interest in associates | - | 10,575 | 10,575 |
| Acquisitions through business combinations | 40,859 | 50,434 | 91,293 |
| Additions | - | - | - |
| At 31 December 2008 | 40,859 | 61,009 | 101,868 |
| **Amortisation and impairment losses:** | | | |
| At 1 January 2007 and 31 December 2007 | - | - | - |
| At 1 January 2008 | - | - | - |
| Amortisation | 4,086 | - | 4,086 |
| At 31 December 2008 | 4,086 | - | 4,086 |
| **Carrying amounts:** | | | |
| At 31 December 2008 | 36,773 | 61,009 | 97,782 |
| At 31 December 2007 | - | - | - |

The recoverable amount of the customer relationship is estimated based on its value-in-use, assuming customer retention rate of 80% using a discount rate of 15%, with an assumption that there will be stable income from the existing customers for 10 years.

Goodwill generated as a result of business combination (see note 4) was allocated to the provision of IT services segment and the trading of IT equipment segment, amounted to $45,264,000 and $15,745,000 respectively. Management considers that since BTL is profit making for the year and the recoverable amount calculated based on the estimated future cash flows discounted to their present value using a pre-tax discount rate of 15% exceeds the carrying amount, no impairment is required.

## 13 Amounts due from subsidiaries

The amounts due from subsidiaries are non-trade balances, unsecured and repayable upon demand, in which an amount of $72,593,166 (2007: $68,323,000) is interest-bearing at prevailing commercial rate (6.3% and 7.6% per annum at 31 December 2008 and 2007 respectively). The remaining balances are interest free and the Company expects that the amounts will not be repaid within one year.

## 14 Other assets

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

## 15 Trade and other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Trade receivables | 46,765 | 30,739 | - | - |
| Accrued services revenue | - | 7,478 | - | - |
| Refundable acquisition deposits (note 26) | 36,998 | 20,000 | - | - |
| Short term project advances | 24,118 | - | - | - |
| Other prepayments and receivables | 13,768 | 12,945 | 218 | 126 |
| | 121,649 | 71,162 | 218 | 126 |
| Non-current | 1,304 | - | - | - |
| Current | 120,345 | 71,162 | 218 | 126 |
| | 121,649 | 71,162 | 218 | 126 |

Non-current portion represented the prepayment for development of an intangible asset.

The aging of trade receivables at the reporting date was:

| | The Group | |
|---|---|---|
| | 2008 $'000 | 2007 $'000 |
| Current | 19,631 | 16,840 |
| Less than 3 months past due | 225 | 2,851 |
| More than 3 months but less than 12 months past due | 24,990 | 1,708 |
| More than 12 months past due | 1,919 | 9,340 |
| Amounts past due | 27,134 | 13,899 |
| | 46,765 | 30,739 |

The credit terms granted to customers is 15 to 270 days. Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables balance. All of the trade and other receivables are expected to be recovered within one year.

The Group's exposure to credit, liquidity and currency risks related to trade and other receivables are disclosed in note 22.

## 16 Cash and cash equivalents

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Deposits with banks | 35,151 | 68,303 | - | - |
| Cash at bank and in hand | 30,792 | 76,760 | 4 | 4 |
| | 65,943 | 145,063 | 4 | 4 |

As at 31 December 2008, the effective interest rate of cash and cash equivalents was 1% (2007: 2.39%) per annum. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 22.

## 17 Obligations under finance lease

As 31 December 2008, the Group had obligations under a finance lease that are repayable as follows:

**The Group**

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Principal $'000 | Interest $'000 | Total minimum lease payments $'000 | Principal $'000 | Interest $'000 | Total minimum lease payments $'000 |
| Repayable within 1 year | 45 | 1 | 46 | 88 | 5 | 93 |
| Repayable after 1 year but within 5 years | - | - | - | 45 | 1 | 46 |
| | 45 | 1 | 46 | 133 | 6 | 139 |

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

## 18 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:

| | Fixed assets depreciation | Future benefits of tax losses | Trade receivables | Accrued expenses | Withholding tax | Others | Total |
|---|---|---|---|---|---|---|---|
| Balance as 1 January 2007 | (63) | (195) | 2,739 | (204) | - | 11 | 2,288 |
| Charged / (credited) to be consolidated income statement | (101) | 120 | (466) | 9 | - | 18 | (420) |
| Balance at 31 December 2007 | (164) | (75) | 2,273 | (195) | - | 29 | 1,868 |
| Balance as 1 January 2008 | (164) | (75) | 2,273 | (195) | | 29 | 1,868 |
| Charged / (credited) to be consolidated income statement | (838) | 75 | 635 | (186) | 730 | 61 | 477 |
| Balance at 31 December 2008 | (1,002) | - | 2,908 | (381) | 730 | 90 | 2,345 |

The Group has not recognised deferred tax assets in respect of tax losses totalling $14,433,000 (2007: $14,141,000) and $10,667,000 (2007: nil) incurred by the Group's operations in Singapore and Hong Kong respectively, as their utilisation in the foreseeable future cannot be reasonably ascertained.

There were no material unprovided deferred tax liabilities as at 31 December 2008 and 2007.

## 19 Share-based payments

On 12 April 2004, the Group established a share option scheme (the "Share Option Scheme") that entitles key management personnel and senior employees to purchase shares in the Company. As at 2 November 2007, 29 eligible participants accepted the offer of options granted by the Company.

**(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:**

| Date of grant | Vesting conditions | Exercise period | Exercise price | Number granted | | Total | Estimated fair value of shares granted |
|---|---|---|---|---|---|---|---|
| | | | | Directors '000 | employees '000 | '000 | $'000 |
| 2 November 2007 | 12 months since the date granted | 2 November 2008 to 2 November 2012 | SG$0.213 | 5,250 | 7,250 | 12,500 | 6,039 |
| | 24 months since the date granted | 2 November 2009 to 2 November 2012 | SG$0.213 | 5,250 | 7,250 | 12,500 | 7,191 |
| | | | | 10,500 | 14,500 | 25,000 | 13,230 |

Pursuant to the rules of the Share Option Scheme, options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, redundancy, ill-health or retirement.

The number of share options is as follows:

| | Number of options 2008 '000 | Number of options 2007 '000 |
|---|---|---|
| Outstanding at 1 January | 25,000 | - |
| Granted during the period | - | 25,000 |
| Lapsed during the period | 1,300 | - |
| Exercised during the period | - | - |
| Outstanding at 31 December | 23,700 | 25,000 |
| Exercisable at 31 December | 11,850 | - |

### (b) Fair value of options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted measured using a binomial model by a professional valuer.

Fair value of options and assumptions

| | |
|---|---|
| Fair value at grant date | SG$0.099 |
| Share price | SG$0.210 |
| Exercise price | SG$0.213 |
| Expected volatility (weighted average volatility) | 89% |
| Option life (expected weighted average life) | 5 years |
| Expected dividends | 3% |
| Risk-free interest rate (based on Exchange Fund Notes) | 2.55% |

The expected volatility is estimated by considering historic three years average share price volatility.

### (c) Staff costs charged to the income statements

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008 $'000** | **2007 $'000** | **2008 $'000** | **2007 $'000** |
| Staff costs arising from Share Option Scheme transactions | 8,120 | 1,580 | 3,254 | 673 |

## 20 Share capital

### (a) Share capital

**The Company**

| | **2008 $'000** | **2007 $'000** |
|---|---|---|
| **Authorised:** | | |
| 900,000,000 ordinary shares of $0.20 each (2007: 900,000,000 ordinary shares of $0.20 each) | 180,000 | 180,000 |
| **Issued and fully paid:** | | |
| 388,182,140 ordinary shares of $0.20 each (2007: 388,182,140 ordinary shares of $0.20 each) | 77,636 | 77,636 |

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

| | Number of ordinary shares of HK$0.20 each | HK$'000 |
|---|---|---|
| **Authorised:** | | |
| Balance at 1 January 2007, 31 December 2007 and 31 December 2008 | 900,000,000 | 180,000 |
| **Issued and fully paid:** | | |
| Balance at 1 January 2007 | 344,432,140 | 68,886 |
| Issue of new ordinary shares during the year | 43,750,000 | 8,750 |
| Balance at 31 December 2007 | 388,182,140 | 77,636 |
| Balance at 1 January 2008 and 31 December 2008 | 388,182,140 | 77,636 |

On 31 July 2007, the Company issued 43,750,000 new ordinary shares at issue price of SG$0.32 per share by way of private placement to an independent investor. The net proceeds from the share issue amounted to $69,832,000 (net of issue costs of $2,198,000)

## (b) Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Consistent with industry practice, the Group monitors its capital structure on the basis of a total debt-to-capital ratio. For this purpose the Group defines total debt as obligations under finance lease and other payables and accruals and capital of the Group as the total shareholders' equity.

Details of the debt-to-capital at 31 December 2008 was as follows:

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Current liabilities: | | |
| Other payables and accruals | 35,395 | 9,354 |
| Obligations under finance lease | 45 | 88 |
| | 35,440 | 9,442 |
| Non-current liabilities: | | |
| Obligations under finance lease | - | 45 |
| Total debt | 35,440 | 9,487 |
| Total capital | 273,496 | 261,109 |
| Debt-to-capital ratio | 13.0% | 4.0% |

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 21 Reserves

### The Group

| | | Attributable to equity shareholders of the Company | | |
|---|---|---|---|---|
| | Note | Share premium $'000 | Foreign currency translation reserve $'000 (a) | PRC statutory reserve $'000 (b) |
| Balance as at 1 January 2007 | | 49,500 | 5,547 | 5,662 |
| Issue of new shares | 20 | 61,082 | - | - |
| Net profit for the year | | - | - | - |
| Appropriation to reserve | | - | - | 150 |
| Exchange difference on translation of financial statements of foreign entities | | - | 9,457 | - |
| Equity settled share-based payment | 19 | - | - | - |
| Balance as at 31 December 2007 | | 110,582 | 15,004 | 5,812 |
| Balance as at 1 January 2008 | | 110,582 | 15,004 | 5,812 |
| Net loss for the year | | - | - | - |
| Appropriation to reserve | | - | - | 51 |
| Exchange difference on translation of financial statements of foreign entities | | - | 10,062 | - |
| Revaluation reserve | | - | - | - |
| Contribution from minority interests | | - | - | - |
| Dividend to minority interests | | - | - | - |
| Equity settled share-based payment | 19 | - | - | - |
| Balance as at 31 December 2008 | | 110,582 | 25,066 | 5,863 |

| Revaluation reserve $'000 (c) | Employee share-based capital reserve $'000 (d) | Retained profits $'000 | Total $'000 | Minority Interest $'000 | Total Reserve $'000 |
|---|---|---|---|---|---|
| - | - | 40,382 | 101,091 | - | 101,091 |
| - | - | - | 61,082 | - | 61,082 |
| - | - | 10,263 | 10,263 | - | 10,263 |
| - | - | (150) | - | - | - |
| - | - | - | 9,457 | - | 9,457 |
| - | 1,580 | - | 1,580 | - | 1,580 |
| - | 1,580 | 50,495 | 183,473 | - | 183,473 |
| - | 1,580 | 50,495 | 183,473 | - | 183,473 |
| - | - | (5,893) | (5,893) | 4,375 | (1,518) |
| - | - | (51) | - | - | - |
| - | - | - | 10,062 | - | 10,062 |
| 98 | - | - | 98 | - | 98 |
| - | - | - | - | 8,173 | 8,173 |
| - | - | - | - | (4,270) | (4,270) |
| - | 8,120 | - | 8,120 | - | 8,120 |
| 98 | 9,700 | 44,551 | 195,860 | 8,278 | 204,138 |

## 21 Reserves (continued)

**The Company**

| | Note | Share premium $'000 | Employee share-based capital reserve $'000 (d) | Retained profits / (Accumulated loss) $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance as at 1 January 2007 | | 49,500 | - | 899 | 50,399 |
| Issue of new shares | 20 | 61,082 | - | - | 61,082 |
| Net profit for the year | | - | - | 1,696 | 1,696 |
| Equity settled share-based payment | 19 | - | 1,580 | - | 1,580 |
| Balance as at 31 December 2007 | | 110,582 | 1,580 | 2,595 | 114,757 |
| Balance as at 1 January 2008 | | 110,582 | 1,580 | 2,595 | 114,757 |
| Net loss for the year | | - | - | (2,660) | (2,660) |
| Equity settled share-based payment | 19 | - | 8,120 | - | 8,120 |
| Balance as at 31 December 2008 | | 110,582 | 9,700 | (65) | 120,217 |

Notes:

(a) 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.

(b) 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.

(c) Revaluation reserve relates to the revaluation to fair value of identifiable assets and liabilities acquired.

(d) Employee share-based capital reserve relates to the fair value of the share options scheme granted to the directors and employees of the Group as at the grant date, which is charged to profit or loss according to the vesting period.

## 22 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk
- business risk
- equity price risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group' activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### (a) Market risk

Increasing market fluctuations may result in significant cash-flow and profit volatility risk for the Group. The Group's income or the values of its holdings of financial instruments are affected by changes in foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while minimizing the costs of managing the risk.

The Group seeks to manage and control the market risks primarily through its regular operating and financial activities, and uses derivative instruments when deemed appropriate. All such transactions are carried out within the guidelines set by the Board of Directors.

#### (i) Foreign currency risk

The Group's entities expose to foreign currency risk on intercompanies' transactions that are denominated in currencies other than the entities' functional currencies. The currencies giving rise to this risk are primarily the HKD and the SGD.

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 the functional currencies as at year end date were as follows:

**Expressed in thousand of HKD**

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| Trade and other receivables | 30,031 | 29,154 |

The Company does not have financial instruments denominated in a currency other than the functional currency as at year end date.

The following significant exchange rates applied during the year:

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| **HKD** | | | | |
| SGD 1 | 5.2246 | 5.0700 | 5.3792 | 5.0700 |
| RMB 1 | 1.0985 | 1.0294 | 1.1339 | 1.0654 |

Sensitivity analysis

A 10 percent weakening of the HKD against the SGD and RMB at 31 December would have increased / (decreased) profit or loss after tax by the amounts shown below respectively. This analysis assumes that all other variables, in particular interest rates, remain constant.

The analysis is performed on the same basis for 2007.

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| SGD | 1,251 | 1,179 |
| RMB | (1,069) | (1,137) |

A 10 percent strengthening of the HKD against the SGD and RMB at 31 December would have had the equal but opposite effect to the amounts shown above respectively, on the basis that all other variables remain constant.

**(ii) Interest rate risk**

Other than the finance lease obligations, the Group does not have financial instruments exposed to interest rate risk as at year end date. The Group adopts a policy of ensuring that over 90% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The Group's finance lease obligations are on fixed rate basis for the years presented.

| | Carrying amount | |
|---|---|---|
| | 2008 $'000 | 2007 $'000 |
| **Fixed rate instruments** | | |
| Obligations under finance lease | (45) | (133) |
| **Variable rate instruments** | | |
| Cash and cash equivalents | 65,943 | 145,063 |

The Company does not have financial instruments exposed to interest rate risk as at year end date.

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| 100 basis points increase | 541 | 1,233 |

A 100 basis points decrease would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers and other receivables.

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 (see note 15) 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) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual cash flows of financial liabilities, including estimated interest payments:

| 31 December 2008 | The Group | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $'000 | Contractual cash flows $'000 | 6 months or less $'000 | 6-12 months $'000 | 1-2 years $'000 | 2-5 years $'000 |
| **Non-derivative financial liabilities** | | | | | | |
| Obligations under finance lease | 45 | (46) | (46) | - | - | - |
| Other payables and accruals | 35,395 | (35,395) | (28,316) | (7,079) | - | - |
| | 35,440 | (35,441) | (28,362) | (7,079) | - | - |

| 31 December 2007 | | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $'000 | Contractual cash flows $'000 | 6 months or less $'000 | 6-12 months $'000 | 1-2 years $'000 | 2-5 years $'000 |
| **Non-derivative financial liabilities** | | | | | | |
| Obligations under finance lease | 133 | (139) | (47) | (46) | (46) | - |
| Other payables and accruals | 9,354 | (9,354) | (7,444) | (1,910) | - | - |
| | 9,487 | (9,493) | (7,491) | (1,956) | (46) | - |

| 31 December 2008 | The Company | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $'000 | Contractual cash flows $'000 | 6 months or less $'000 | 6-12 months $'000 | 1-2 years $'000 | 2-5 years $'000 |
| **Non-derivative financial liabilities** | | | | | | |
| Other payables and accruals | 1,063 | (1,063) | (1,063) | - | - | - |
| | 1,063 | (1,063) | (1,063) | - | - | - |

| 31 December 2007 | | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $'000 | Contractual cash flows $'000 | 6 months or less $'000 | 6-12 months $'000 | 1-2 years $'000 | 2-5 years $'000 |
| **Non-derivative financial liabilities** | | | | | | |
| Other payables and accruals | 271 | (271) | (271) | - | - | - |
| | 271 | (271) | (271) | - | - | - |

**(d) 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 2008. 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.

The principal activity of the Company is investment holding and does not carry out businesses.

**(e) Equity price risk**

All of the Group's unquoted investments held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group.

**(f) Fair values**

The fair values of cash and cash equivalents, trade and other receivables and other payables and accruals are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of amounts due from subsidiaries approximate their respective carrying amounts.

## 23 Operating lease commitments

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

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | **$'000** | **$'000** |
| Payable as follows: | | |
| - within 1 year | 637 | 984 |
| - after 1 year but within 5 years | 57 | 615 |
| | 694 | 1,599 |

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

## 24 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 6.

## 25 Accounting estimates and judgements

Certain crucial accounting judgements in applying the Group's accounting policies are described below:

**(a) Impairment review of property, plant and equipment, interest in associates and goodwill**

Impairment review is carried out annually by management to determine whether or not property, plant and equipment, interest in associates and goodwill may be impaired. Such process requires the exercise of significant judgement by management based on available information relating to the individual assets' value in use assessed based on estimated future discounted cash flows and their corresponding fair value less costs to sell. The accuracy of the available information could affect the management's judgement and hence the outcome of the impairment review. Profit or loss could be affected.

**(b) Recognition of deferred taxes**

Deferred taxes are recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. The accuracy of predictions about the expected manner of realisation or settlement of the carrying amount of assets and liabilities would affect the amount of deferred taxes to be recognised and profit or loss of the Group.

**(c) Measurement of share-based payments**

The estimate of the fair value of the share options granted to employees measured by professional valuers based on the binomial model with modification to reflect the impact of vesting period and exercise pattern on the option value. The accuracy of the above estimations could affect the amount of share-based payments transactions recognised in the income statement.

## 26 Subsequent events

**(a) Acquisition of 20% equity interest in BTL**

On 23 December 2008, one of the subsidiaries of the Company, Armarda Holdings Limited ("AHL"), entered into a sale and purchase agreement (the "Agreement") with the Vendor, to acquire from the Vendor for the remaining 20% equity interests in BTL at a consideration of $27,200,000 ("Proposed Acquisition").

The transaction was subsequently completed on 8 January 2009 and BTL became a wholly owned subsidiary of the Company.

**(b) Subscription of 46% equity interest in Xintian eAccess Limited and its subsidiary ("Xintian eAccess Group")**

On 16 January 2009, one of the subsidiaries of the Company, Armarda eAccess Technology Limited ("Armarda eAccess"), entered into a subscription agreement with two independent parties to acquire 46% equity interests in Xintian eAccess Group for a consideration of $4,600,000. The principal activity of Xintian eAccess Group is advertising.

# Shareholders' Information

As At 6 March 2009

# Shareholders' Information

As At 6 March 2009



## Share Capital

| | |
|---|---|
| Authorised share capital | - HK$180,000,000 |
| Issued and fully paid-up | - HK$77,636,428 |
| No. of treasury shares held | - Nil |
| 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 6 March 2009, 74.78 % of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

## Analysis of Shareholdings

| Range of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 6 | 0.19 | 786 | 0.00 |
| 1,000 - 10,000 | 795 | 25.07 | 4,999,000 | 1.29 |
| 10,001 - 1,000,000 | 2,342 | 73.86 | 193,428,118 | 49.83 |
| 1,000,001 and above | 28 | 0.88 | 189,754,236 | 48.88 |
| | 3,171 | 100.00 | 388,182,140 | 100.00 |

# Shareholders' Information

As At 6 March 2009

## Top 20 shareholders

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | UOB Kay Hian Pte Ltd | 58,689,638 | 15.12 |
| 2 | Compelling Vision Technology Limited | 44,381,277 | 11.43 |
| 3 | DBS Vickers Securities (S) Pte Ltd | 10,520,068 | 2.71 |
| 4 | OCBC Securities Private Ltd | 9,260,000 | 2.39 |
| 5 | CIMB-GK Securities Pte. Ltd. | 7,647,000 | 1.97 |
| 6 | Ong Lay Yen | 7,200,000 | 1.85 |
| 7 | Leong Hong Kah | 5,267,000 | 1.36 |
| 8 | Kim Eng Securities Pte. Ltd. | 5,051,000 | 1.30 |
| 9 | Phillip Securities Pte. Ltd. | 3,889,500 | 1.00 |
| 10 | Mak Tin Sang | 3,550,502 | 0.91 |
| 11 | Morgan Stanley Asia (S) Securities Pte Ltd | 3,523,000 | 0.91 |
| 12 | United Overseas Bank Nominees Pte Ltd | 3,330,000 | 0.86 |
| 13 | Ling Kim Chye | 2,391,000 | 0.62 |
| 14 | Low Eu Lien Lynn | 2,382,000 | 0.61 |
| 15 | Low Poh Kuan | 2,310,000 | 0.60 |
| 16 | Mayban Nominees (S) Pte Ltd | 2,275,000 | 0.59 |
| 17 | Ho Chwee Seng | 2,100,000 | 0.54 |
| 18 | Hong Leong Finance Nominees Pte Ltd | 1,860,000 | 0.48 |
| 19 | Ling Hua Kiow | 1,850,000 | 0.48 |
| 20 | Hui Kong Anna Kwok Choy | 1,775,251 | 0.46 |
| | | 179,252,236 | 46.19 |

## Substantial shareholders

| Name | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Compelling Vision Technology Limited | 44,381,277 | 11.43 | - | - |
| Luk Chung Po | 8,876,255 | 2.29 | 45,308,277[1] | 11.67 |
| Firich Enterprises Co., Ltd. | 43,750,000[2] | 11.27 | - | - |

**Notes:**

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

(2) Firich Enterprises Co., Ltd. holds 43,750,000 shares through nominee companies.

# Notice Of Annual General Meeting

Armarda Group Limited (Incorporated In Bermuda) Company Registration No. 34050

# Notice Of Annual General Meeting

**This notice had been earlier despatched together with the proxy form to shareholders on 2 April 2009.**

NOTICE IS HEREBY GIVEN that the 2009 Annual General Meeting of Armarda Group Limited (the "**Company**") will be held at 19/F., Commercial Bank Mansion, Jiuzhou Dadao Dongduan, Jida, Zhuhai, China on 25 April 2009 at 9.00 a. m. to transact the following business:

## Ordinary Business

1 To receive and adopt the directors' report and audited financial statements for the year ended 31 December 2008 together with the auditors' report thereon.

2 To re-elect the following directors of the Company, 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) Mr Terence Luk Chung Po

(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 and Chairman of the Remuneration and Nominating Committees upon his re-election as a director of the Company. Mr Phuah is an independent non-executive director.

3 To re-elect Mr Gao Xiangjun, who was appointed as a new director of the Company pursuant to Bye-Law 107 (B) of the Bye-Laws of the Company.

4 To consider and, if thought fit, to pass the following ordinary resolution, with or without modifications:

"That directors' fees of S$110,000 payable by the Company for the year ending 31 December 2009 be approved." (2008: S$110,000)

5 To re-appoint KPMG as auditors of the Company for the year ending 31 December 2009 and to authorise the directors of the Company to fix their remuneration.

## Special Business

6 To consider and, if thought fit, to pass the following as a special resolution, with or without modifications:

"That authority be and is hereby given to the directors of the Company to:

(a) (i) issue ordinary shares of par value HK$0.20 each in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution 6 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors of the Company while this Resolution 6 was in force,

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution 6 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6) does not exceed 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), whether on a *pro rata* or non *pro rata* basis; and

(ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares (excluding treasury shares) shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution 6 is passed, after adjusting for:-

(A) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution 6 is passed; and

(B) any subsequent bonus issue, consolidation or sub-division of Shares;

(iii) in exercising the authority conferred by this Resolution 6, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of Section B: Rules of Catalist of the Listing Manual of the SGX-ST (the "**Catalist Rules**") for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Bye-Laws for the time being of the Company; and

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 6 shall continue in 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 to be held, whichever is the earlier."

7 In the event that Resolution 6 is not approved by shareholders of the Company, to consider and, if thought fit, to pass the following as an ordinary resolution, with or without modifications:

"That authority be and is hereby given to the directors of the Company to:

(a) (i) issue ordinary shares of par value HK$0.20 each in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution 7 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors of the Company while this Resolution 7 was in force,

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution 7 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 7) does not exceed 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 7) does not exceed 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below); and

(ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares (excluding treasury shares) shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution 7 is passed, after adjusting for:

(A) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution 7 is passed; and

(B) any subsequent bonus issue, consolidation or sub-division of Shares;

(iii) in exercising the authority conferred by this Resolution 7, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of Section B: Rules of Catalist of the Listing Manual of the SGX-ST (the "**Catalist Rules**") for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Bye-Laws for the time being of the Company; and

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 7 shall continue in 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 to be held, whichever is the earlier."

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

"That without prejudice to the generality of, and pursuant and subject to the approval of the general mandate to issue Shares set out in, Resolution 6 or if Resolution 6 is not passed, Resolution 7, authority be and is hereby given to the directors of the Company to issue Shares other than on a *pro rata* basis to shareholders of the Company, at a discount to the weighted average price of the Shares for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day), exceeding 10% but not more than 20%, at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit,

provided that:

(a) in exercising the authority conferred by this Resolution 8, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the

time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Bye-Laws for the time being of the Company; and

(b) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 8 shall continue in 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 to be held, whichever is the earlier."

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

"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 total number of issued shares (excluding treasury shares) in the capital of the Company on the day immediately preceding the relevant date of grant of the options."

10 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,

2 April 2009

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

(1) Special Resolution 6 is to empower the directors of the Company, from the date of the passing of Special Resolution 6 to 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 to be held, whichever is the earlier, to issue Shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an aggregate number not exceeding 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, whether on a *pro rata* or non *pro rata* basis. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time that Special Resolution 6 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Special Resolution 6 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Special Resolution 6, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(2) Ordinary Resolution 7 is to empower the directors of the Company, in the event that Special Resolution 6 is not passed, from the date of the passing of Ordinary Resolution 7 to 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 to be held, whichever is the earlier, to issue Shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an aggregate number not exceeding 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 50% of the total number of issued Shares (excluding treasury shares) for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 7 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In

exercising the authority conferred by Ordinary Resolution 7, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(3) Ordinary Resolution 8 is to empower the directors of the Company, pursuant to the general mandate to issue Shares set out in Special Resolution 6 or, if Special Resolution 6 is not passed, Ordinary Resolution 7 to issue Shares other than on a *pro rata* basis to shareholders of the Company, at a discount to the weighted average price of the Shares on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day), exceeding 10% but not more than 20%. In exercising the authority conferred by Ordinary Resolution 8, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws. Rule 811(1) of the Catalist Rules presently provides that an issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day). On 19 February 2009, the SGX-ST released a press release of new measures effective on 20 February 2009 (the "**Press Release**"); the new measures include allowing issuers to undertake placements of new shares using the general mandate to issue shares, priced at discounts of up to 20%, subject to the conditions that the issuer seeks shareholders' approval in a separate resolution at a general meeting to issue new shares on a non *pro rata* basis at a discount exceeding 10% but not more than 20%, and the general share issue mandate resolution is not conditional on this resolution. Ordinary Resolution 8 has been included following this new measure. The Press Release states that this new measure will be in effect until 31 December 2010 when it will be reviewed by the SGX-ST.

(4) Ordinary Resolution 9 is to empower the directors of the Company 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 total number of issued shares (excluding treasury shares) in the capital of the Company on the day immediately preceding the relevant date of grant of the options.

## Notes

(1) The Company will be coordinating a teleconference as permitted under Bye-Law 63(A) of the Bye-Laws of the Company. Shareholders who wish to take part in the Annual General Meeting from Singapore can participate in the teleconference to be held at 105 Cecil Street, The Octagon #11-02, Singapore 069534 on 25 April 2009 at 9.00 a.m. Shareholders attending the teleconference in person or by proxy shall be entitled to vote at the meeting.

(2) 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 which 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.

(3) 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.

(4) The annual report of the Company for the financial year ended 31 December 2008 will be made available to shareholders in due course, and in any event, no later than 9 April 2009.

(5) This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Company's Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.

This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

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