ARMARDA GROUP

ANNUAL REPORT

ARMARDA GROUP ANNUAL REPORT 2007

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ANNUAL REPORT 2007

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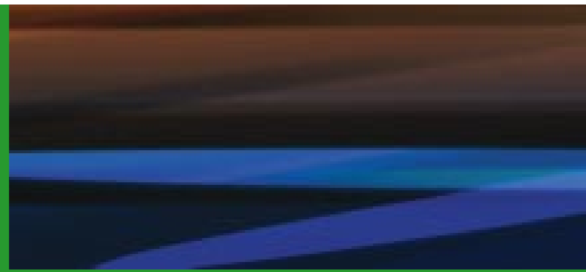
OUR VISION

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

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 IT Consulting Services business, 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. Presently, our major customers include 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 Beijing and Zhuhai for its IT Consulting and IT Support Business. Leveraging on our extensive experience in the PRC for its IT Consulting business. 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 sector.

MESSAGE FROM CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors, it is my great honor to present you the 2007 annual report of the Armarda Group. I am sure that you will be glad to note the improvement in financial performance which we have achieved for the year.

Alike the preceding year, the overall condition in the PRC IT industry remains highly competitive due to the tense competition from the continuous entrance of both local and international core banking firms and application vendors into the IT consulting market. However, Armarda had been capable to maintain its market position for 2007 by successfully capturing the business opportunities from the 2^{nd} and 3^{rd} tier banks in the PRC in the areas of core banking consultancy and Oracle Financials consulting and implementation. The Group's better financial result this year could reflect our success in securing servicing contracts from these 2^{nd} and 3^{rd} tier banks.

A significant event taken place at Armarda during the year which I would like to draw your attention was the strategic partnership with Firich Enterprises Co. Ltd. ("FEC"). Through a private placement in mid-2007, FEC had become one of our substantial shareholders holding 11.3% of the issued share capital of our Group. FEC is a leading Point-Of-Sale ("POS") system manufacturer listed on the Taiwan Gre Tai Securities Market. Its main activities include the development, manufacture and distribution of high quality and high performance POS systems for the retail, hospitality and lottery-related business sectors around the world. It is envisaged that the closer relationship between FEC and Armarda would provide us with a fabulous opportunity to explore the highly potential IT services in the retail payment related field which is a brand new business initiative for us. I am also pleased to give a warm welcome to Mr. Stephen Lai, an IT veteran with extensive experiences in the banking automation and payment service areas, who had been appointed by our Board to oversee this new business area.

Looking ahead, with our strong technical experience and close relationship with banks, we are confident that our Group's financial performance will remain satisfactory in the coming year as we foresee that we will be able to maintain our continuous success in developing IT consulting business opportunities from the 2^{nd} and 3^{rd} tier banks as well as rural co-operative banks in the PRC. We also expect that the operational commencement of our business venture with the FESCO Group in the human resource-related area, together with our new business initiative in the retail arena, could contribute to the continuing growth of our Group.

Last but not least, I would like to extend my appreciation and gratitude to our management team and all staff for their great effort and devotion to our company throughout the year. I also wish to express my thankfulness to our shareholders, customers, suppliers and business partners for their trust and continuing support.

Dr Chou Tao-Hsiung, Joseph
Chairman
29 February 2008

MESSAGE FROM CEO

I am very pleased to have the opportunity to present you the operational performance and achievements of the Armarda Group for FY2007. Even though I would not concede that FY2007 as an incredible year, our Group's financial performance did improve satisfactorily when compared with FY2006, not to mention the specific business milestone which we had achieved during the year as described below.

Thanks for our sound implementation of our business and investment strategies, despite the increasingly big competition from both local and international new market players engaging in similar IT consulting business in the PRC, our Group's capability to maintain a leading market position in serving the 2nd and 3rd tier banks as well as rural co-operative banks in the PRC could be recognized by the competitive revenue stream and higher profitability which we had achieved for FY2007. Our Group's revenue generated in FY2007 surged slightly from HK$33.9m to HK$34.4m. As in FY2006, the major source of revenue for FY2007 was generated from the provision of IT consultancy services to 2nd and 3rd tier banks in the PRC. Our Group's Net Profit After Tax ("NPAT") jumped from HK$7m in FY2006 to HK$10.3m in FY2007, marking an increase of approximately 47%. Such rise was attributed by the stability of our revenue stream, share of the increase in profitability of our interest in associate company as well as our continuous effort in managing our operation efficiently.

The specific business milestone which Armarda had accomplished for FY2007 was the strategic partnership with Firich Enterprises Co. Ltd. ("FEC"), one of the largest Point-of-Sale ("POS") system manufacturers in Asia. With an equity interest of 11.3% in Armarda, FEC would provide us necessary business and technical support to enter into a new business era for Armarda - the provision of IT-related services to retail operations in the PRC. Headed by a new member of our management team, Mr. Stephen Lai, the Group is currently in the process of evaluating business opportunities in the area of retail payment and the associated value added services in the PRC. Our Group targets to establish alliance with local business partners in the field to help expand our business in this new horizon

Looking ahead, our Group's strategies will continue to focus on increasing our market penetration in the 2nd and 3rd tier and rural co-operative credit banking sectors in the PRC while at the same time persist to develop the PRC human resources and retail markets to power up our new growth.

At last, I would like to extend my warmest appreciation and gratitude to all shareholders, our board members and fellow staff at Armarda, customers, suppliers and business partners, without your great support and effort it is not possible for us to make all the achievements for the year.

Luk Chung Po, Terence
Chief Executive Officer
29 February 2008

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.

Mr Lin Ming Sheng, Vincent

Non-executive Vice Chairman

Mr Vincent Lin was appointed as our Non-executive Director in March 2004 and our Non-executive Vice Chairman on February 2006. Mr. Lin is also currently the President of Aion Technologies Inc. which he joined in 1999. He is also the Chief Strategic Officer at Taiwan Secom Group. Since 1997, he has been the President of Azure International Incorporated.

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

Mr Luk Chung Po, Terence

Executive director & Chief Executive Officer

Mr Terence Luk was appointed as our Executive Director in March 2004. He is responsible for the overall strategic planning and business development of our Group. From 1986 to 1995, Mr Luk held various senior positions in the Unisys Group's subsidiaries in China - Unisys China Limited and Unisys China/Hong Kong Limited. From 1995-1997, Mr Luk was appointed as the General Manager of China operations, Cisco Systems. Mr Luk co-founded and was appointed as the Vice-Chairman of Hong Kong-listed Technology Venture Holdings Limited between 1996 and 2001. Since September 2002, 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 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 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 firm. Mr Phuah was an engineer with Hewlett Packard between 1992 to 1993 and Esso between 1993 to 1994 before moving on to the Mentor Media group of companies in 1995 where he held senior positions. Mr Phuah holds a Bachelor's Degree (First Class Honours) in Electrical Engineering from the National University of Singapore.

KEY MANAGEMENT

Mr Mak Tin Sang

Chief Financial Officer 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 as the Vanda Shenzhen Development Centre's General Manager and Vanda Software Group's Director of Professional Services and Product Development. In 2000, she joined IBM China/Hong Kong Ltd where she managed a professional team in the conduct of solution/service sales and delivery activities for IBM's banking engagements in Hong Kong and China. Ms Tso was an associate partner of Business Consulting Services, IBM Global Services when she left to join our Group in 2003.

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

Mr Wen Feng

General Manager of Armarda Zhuhai

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

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

CORPORATE INFORMATION

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

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

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

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

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

Company Secretary
Mak Tin Sang

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

Bermuda Registrar and Share Registrar Agent
Reid Management Limited
Argyle House 41a Cedar Avenue
Hamilton HM12
Bermuda

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

Auditors
KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road Central, Hong Kong
Partner-in-charge: Mr Lam Kai Wa
(since financial year ended 31 December 2005 as per last annual report)

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

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PROPERTY INFORMATION

Major properties held for owned operations:

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

CORPORATE GOVERNANCE REPORT

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

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").

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	Non-Executive Chairman	-	Member	-
Mr Lin Ming Sheng, Vincent	Non-Executive Vice Chairman	Member	-	Member
Mr Luk Chung Po, Terence	Executive Director & Chief Executive Officer	-	-	-
Mr Lee Joo Hai	Independent Director	Chairman	Member	Member
Mr Phuah Lian Heng	Independent Director	Member	Chairman	Chairman

The Group believes that there should be a strong and independent element in the Board to exercise objective judgment. The Board of 5 Directors includes 2 Independent and 2 Non-Executive Directors. The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 8 to 9 of the Annual Report.

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

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

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

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

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND BOARD COMMITTEES HELD FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

	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	4	4	-	-	-	-	3	3
Mr Luk Chung Po, Terence	4	4	-	-	-	-	-	-
Mr Lin Ming Sheng, Vincent	4	1	4	1	3	1	-	-
Mr Lee Joo Hai	4	4	4	4	3	3	3	3
Mr Phuah Lian Heng	4	4	4	4	3	3	3	3

No. of board meetings held from 1 January 2007 to 31 December 2007: 4
No. of audit committee meetings held from 1 January 2007 to 31 December 2007 : 4
No. of nominating committee meetings held from 1 January 2007 to 31 December 2007 : 3
No. of remuneration committee meetings held from 1 January 2007 to 31 December 2007 : 3

CORPORATE GOVERNANCE REPORT

Principle 3 : Role of Chairman and Chief Executive Officer

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

Principle 5 : Board Performance

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

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

a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;

b) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of corporate governance and the Code;

c) procuring that at least one-third of the Board shall comprise Independent Directors;

d) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Group, having regard to the Directors' contribution and performance, including Independent Directors;

e) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and

f) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

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

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

The NC recommended to the Board that Dr Chou Tao-Hsiung, Joseph and Mr Lee Joo Hai be nominated for reappointment at the forthcoming AGM.

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

Principle 6 : Access to Information

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

The Board has separate and independent access to senior management and the company 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 the SGX-ST are complied with.

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

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

Remuneration Committee ("RC")
The RC comprises Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr Chou Tao-Hsiung, Joseph. The RC is chaired by Mr Phuah Lian Heng.

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

a) recommending to the Board a framework of remuneration for the Board covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

b) proposing to the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;

c) determining the specific remuneration package for each Executive Director;

d) considering the eligibility of Directors for benefits under long-term incentive schemes; and

e) considering and recommending to the Board the disclosure of details of the Group's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors required by law or by the Code.

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

The Group sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group. The remuneration paid to the Directors and Senior Executive Officers for services rendered during the financial year ended 31 December 2007 are as follows:

Remuneration Bands	Salary %	Performance bonus %	Directors' fees %	Share option scheme %	Total %
Directors					
S$250,000 -S$500,000	-	-	-	-	-
Below S$250,000					
Dr Chou Tao-Hsiung, Joseph	-	-	-	100	100
Mr Luk Chung Po, Terence	77	-	-	23	100
Mr Lin Ming Sheng, Vincent	-	-	-	100	100
Mr Lee Joo Hai	-	-	88	12	100
Mr Phuah Lian Heng	-	-	87	13	100
Executive Officers					
S$250,000 -S$500,000					
Ms Florence Tso	95	-	-	5	100
Below S$250,000					
Mr Mak Tin Sang	80	-	-	20	100
Mr Wen Feng	70	-	-	30	100

Except for the share options granted under the share option scheme, Dr Chou Tao-Hsiung, Joseph and Mr Lin Ming Sheng, Vincent, do not receive any compensation. The remuneration of the Non-Executive Directors is in the form of a fixed fee. Such fees will be pro-rated for the financial year ending 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.

Principle 10: Accountability

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

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

Principle 11: Audit Committee
Principle 12: Internal Controls

Audit Committee ("AC")
The AC comprises Mr Lee Joo Hai, Mr Phuah Lian Heng and Mr Lin Ming Sheng, Vincent. The AC is chaired by Mr Lee Joo Hai.

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

a) reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;

b) reviewing the overall internal control system;

c) reviewing the Group's financial results and the announcements before submission to the Board for approval;

d) reviewing the assistance given by management to external auditors;

e) reviewing significant findings of internal audits;

f) considering the appointment/re-appointment of the external auditors;

g) reviewing interested person transactions; and

h) other functions as required by law or the Code.

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

During the financial year, the AC has met 4 times to discuss and review the audit plans and the audit reports.

The AC has been given full access to and is provided with the co-operation of the Group's management. In addition, the AC has independent access to the external auditors.

The AC meets with the external auditors without the presence of management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the volume of non-audit services provided to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

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

Principle 13: Internal Audit

The internal audit's functions include assisting the AC and the Board in the evaluation of the internal controls, financial and accounting matters, compliances, business and financial risk management.

The internal auditor will report directly to the AC on audit matters, and to the CFO on administrative matters.

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

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

The Group recognizes that effective communication can highlight transparency and enhance accountability to its shareholders.

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

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

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

The Group's Bye-laws allows a shareholder of the Group to appoint one or two proxies to attend and vote at general meetings.

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreement between the Executive Director and the Group, there are no material contracts entered into by the Group or its subsidiaries and in which the Chief Executive Officer or any Director or controlling shareholders were interested subsisting at the end of the financial year ended 31 December 2007.

Risk Management
(Listing Manual Rule 1207(4) (b) (iv))

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 pages 59 to 63 of the Annual Report.

Armarda Employee Share Option Scheme ("ESOS")

(Listing Manual Rule 852(1))

The ESOS is administered by the Remuneration Committee comprising Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr Chou Tao-Tsiung, Joseph. There were 25,000,000 Employee Share Options granted during the financial year ended 31 December 2007, details of which are found on page 55 of the Annual Report.

Dealings in Securities

(Listing Manual Rule 1207(18))

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 set out in the Listing Manual of the SGX-ST.

Interested Person Transactions

(Listing Manual Rule 907)

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

There was no transaction with interested persons during the financial year ended 31 December 2007 that exceeded the stipulated thresholds as specified in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Issue of new ordinary shares

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

REPORT OF THE DIRECTORS

The Directors of the Company are pleased to present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2007.

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 Lin Ming Sheng, Vincent	(Non-executive Vice Chairman)
Mr Luk Chung Po, Terence	(Executive Director & Chief Executive Officer)
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 2006	At 31 Dec 2007	At 31 Dec 2006	At 31 Dec 2007
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	45,308,277	45,308,277
Mr Lin Ming Sheng, Vincent	-	-	6,124,617	6,124,617
Mr Lee Joo Hai	-	-	-	-
Mr Phuah Lian Heng	-	-	-	-

REPORT OF THE DIRECTORS

			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 2006	At 31 Dec 2007
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 Lin Ming Sheng, Vincent	S$0.213	2 Nov 2008 - 2 Nov 2012	-	500,000
	S$0.213	2 Nov 2009 - 2 Nov 2012	-	500,000
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' interests as at 21 January 2008 were the same as those at 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.

Options Granted During The Year

During the financial year, the options granted under the Scheme are summarized as follows :

Options to subscribe for Ordinary Shares of HK$0.20 each	Exercise price	Exercise Period	**Options Granted**
Executive Director	S$0.213	2 Nov 2008-2 Nov 2012	3,000,000
	S$0.213	2 Nov 2009-2 Nov 2012	3,000,000
Non-executive Directors	S$0.213	2 Nov 2008-2 Nov 2012	2,250,000
	S$0.213	2 Nov 2009-2 Nov 2012	2,250,000
Employees	S$0.213	2 Nov 2008-2 Nov 2012	7,250,000
	S$0.213	2 Nov 2009-2 Nov 2012	7,250,000
Grand total number of options granted			25,000,000

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 2006**	**Options granted**	**Options exercised**	**Options cancelled/ lapsed**	**Options outstanding at 31 Dec 2007**	**Number of option holders at 31 Dec 2007**	**Exercise period**
2 Nov 2007	S$0.213	-	12,500,000	-	-	12,500,000	29	2 Nov 2008 - 2 Nov 2012
2 Nov 2007	S$0.213	-	12,500,000	-	-	12,500,000	29	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.

Warrants

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

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(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual"), as follows:

Mr Lee Joo Hai	(Chairman/Independent Director)
Mr Phuah Lian Heng	(Independent Director)
Mr Lin Ming Sheng, Vincent	(Non-Executive Director)

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 2007 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.

REPORT OF THE DIRECTORS

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

Dr Chou Tao-Hsiung, Joseph
Non-Executive Chairman

Luk Chung Po, Terence
Director and Chief Executive Officer

29 February 2008

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 2007, 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

29 February 2008

ARMARDA GROUP LIMITED AND ITS SUBSIDIARIES

Financial Statements for the Year Ended 31 December 2007

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 2007, 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 2007, 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
29 February 2008

INCOME STATEMENTS

for the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	The Group		The Company	
		2007	**2006**	**2007**	**2006**
		$'000	$'000	$'000	$'000
Revenue	4	34,403	33,856	-	-
Other income	4	2,299	1,314	4,802	3,595
Staff costs	5	(10,377)	(8,378)	(1,332)	(423)
Depreciation	10	(3,649)	(3,605)	-	-
Cost of goods sold	4	(1,812)	(2,871)	-	-
Other expenses	5	(16,407)	(14,086)	(1,774)	(1,525)
Finance costs	5	(9)	(36)	-	-
Share of profits of associates	9	5,529	2,262	-	-
Profit before taxation	5	9,977	8,456	1,696	1,647
Income tax credit/ (expense)	6	286	(1,369)	-	-
Profit for the year attributable to equity shareholders of the Company	19	10,263	7,087	1,696	1,647
Earnings per share					
Basic	7	2.83 cents	2.16 cents		
Diluted	7	N/A	N/A		

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

BALANCE SHEETS

As at 31 December 2007
(Expressed in Hong Kong dollars)

		The Group		The Company	
	Note	**2007**	**2006**	**2007**	**2006**
		$'000	$'000	$'000	$'000
Non-current assets					
Investments in subsidiaries	8	-	-	46,354	45,446
Interest in associates	9	43,335	20,956	-	-
Property, plant and equipment	10	12,660	15,209	-	-
Amounts due from subsidiaries	11	-	-	146,180	74,554
Other assets	12	845	790	-	-
		56,840	36,955	192,534	120,000
Current assets					
Trade and other receivables	13	71,162	56,193	126	109
Cash and cash equivalents	14	145,063	89,505	4	4
		216,225	145,698	130	113
Current liabilities					
Obligations under finance lease	15	88	83	-	-
Other payables and accruals		9,354	9,242	271	828
Taxation payable		601	930	-	-
		10,043	10,255	271	828
Net current assets / (liabilities)		206,182	135,443	(141)	(715)
Non-current liabilities					
Obligations under finance lease	15	45	133	-	-
Deferred tax liabilities	16	1,868	2,288	-	-
		1,913	2,421	-	-
Net assets		261,109	169,977	192,393	119,285
Total equity attributable to equity holders of the Company					
Share capital	18	77,636	68,886	77,636	68,886
Reserves	19	183,473	101,091	114,757	50,399
		261,109	169,977	192,393	119,285

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007	2006
		$'000	$'000
Cash flows from operating activities			
Profit before taxation		9,977	8,456
Adjustment for:			
Interest income	4	(2,250)	(1,288)
Share of profits of associates		(5,529)	(2,262)
Loss on disposal of property, plant and equipment	5(b)	109	148
Finance costs	5(c)	9	36
Depreciation	10	3,649	3,605
Equity settled share-based payment	17(c)	1,580	-
Foreign exchange (gain) / loss		(4,205)	310
		3,340	9,005
Decrease / (increase) in trade and other receivables		11,985	(16,742)
(Decrease) / increase in other payables and accruals		(3,580)	73
		11,745	(7,664)
Interest received		1,575	1,704
Interest paid		(9)	(36)
Income taxes paid		(514)	(48)
Net cash generated from / (used in) operating activities		12,797	(6,044)
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(394)	(289)
Acquisition of associates		(16,361)	(2,194)
Dividend received from an associate		4,220	2,000
Refundable acquisition deposit	13,24(a)	(20,000)	-
Proceeds from disposal of property, plant and equipment		6	232
Net cash used in investing activities		(32,529)	(251)
Cash flows from financing activities			
Repayment of finance lease obligations		(83)	(79)
Repayment of secured bank loan		-	(145)
Issue of shares, net of issue costs	18	69,832	12,922

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK$'000	2006 HK$'000
Net cash generated from financing activities		69,749	12,698
Net increase in cash and cash equivalents		50,017	6,403
Cash and cash equivalents at 1 January		89,505	80,270
Effect of exchange rate fluctuations on cash held		5,541	2,832
Cash and cash equivalents at 31 December	14	145,063	89,505
Significant non-cash transactions:			
Utilisation of refundable deposit toward satisfaction of consideration payable for acquisition of associates		-	17,000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	$'000
Balance at 1 January 2006		146,324
Net profit for the year		7,087
Exchange differences on translation of financial statements of foreign entities	19	3,644
Shares issued		
- par value	18	11,440
- premium received	19	1,482
Balance at 31 December 2006		169,977
Balance at 1 January 2007		169,977
Net profit for the year		10,263
Exchange differences on translation of financial statements of foreign entities	19	9,457
Share issued		
- par value	18	8,750
- premium received	19	61,082
Equity settled share-based payment	19	1,580
Balance at 31 December 2007		261,109

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007
(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 29 February 2008.

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 8 to the financial statements. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

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

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 promulgated by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as explained in the accounting policies set out below. The methods used to measure fair values are discussed further in note 3(s).

(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 currency of the subsidiaries and associates in the People Republic of China ("PRC") is Renminbi ("RMB"). All financial information presented in Hong Kong dollar 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 23.

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 Group entities.

(a) Basis of consolidation

(i) Subsidiaries

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.

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 initially recognised 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) Goodwill

Goodwill arising on the acquisition of associates represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. In respect of interest in associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(c) 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.

(d) 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 (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 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. 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.

(e) Other assets

Other assets represent transferable life memberships of golf club are stated at cost less any impairment losses (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 sheet.

(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 comprise cash balances and bank deposits.

Accounting for finance income and costs are discussed in note 3(l) and 3(n) respectively.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses (note3(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

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

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 that have indefinite lives, 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 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 unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its 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 (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 depreciation or amortisation, if no impairment loss had been recognised.

(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 pension 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 that vest.

(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, and differences relating to investments in subsidiaries and jointly controlled entities 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.

(iv) Interest income

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 on borrowings and the interest expense component 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, interest in associates 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 2007, 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 financial statements, will require the 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 4).

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise 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 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.

- IFRIC 11 IFRS 2-Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any effect on the 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 financial statements, is not expected to have any impact on the consolidated financial statements.

- IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

(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) 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.

(ii) 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.

(iii) Share-based payment transactions

The fair value of employee stock 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 Revenue and segment reporting

The Group operates principally as a single business segment for the provision of IT consulting, IT support and other services to customers in the PRC. Revenue represents the income received and receivable from the provision of services and ancillary activities including the licensing of computer application systems and sales of IT equipment.

During the year, the Group received non-refundable lump sum licence fees totalling $4,635,000 (2006: $4, 650,000) from certain independent customers for the licensed uses of the Group's computer application systems for a period of ranging from five to eight years. The Group has recognised the licence fees as income upon the customers' acceptance of the licensed system, as the Group has no substantial remaining obligations to perform in accordance with the terms of the licence agreements.

For the year ended 31 December 2007, revenue and cost of goods sold in respect of sales of IT equipment recognised in the consolidated income statement amounted to $2,154,000 (2006: $3,326,000) and $1, 812,000 (2006: $2,871,000) respectively.

Other income comprises:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Interest income	2,250	1,288	-	-
Interest income from a subsidiary	-	-	4,802	3,595
Others	49	26	-	-
	2,299	1,314	4,802	3,595

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:

	2007	**2006**
	$'000	$'000
Revenue		
PRC	34,403	33,856
Unallocated revenue	2,299	1,314
	36,702	35,170
Capital expenditure		
PRC	20,304	254
Hong Kong	384	18,729
	20,688	18,983

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

Segment assets		
PRC	149,835	139,417
Hong Kong	123,030	43,005
Singapore	200	231
	273,065	182,653

5 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff costs

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Salaries and allowances	8,179	7,623	659	423
Contributions to defined contribution retirement plans	261	419	-	-
Equity settled share-based payment	1,580	-	673	-
Other welfare and benefits	357	336	-	-
	10,377	8,378	1,332	423
Remuneration of directors included in staff costs:				
- Directors of the Company	2,644	1,635	1,332	423
- Other directors	1,700	1,238	-	-

(b) Other expenses

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Non-audit fees paid to auditors of the Company (note)	57	74	-	-
Consultancy and subcontracting fees	6,796	6,446	-	-
Operating lease charges in respect of properties	1,141	906	-	-
Promotion and marketing expenses	1,397	1,186	41	169
Travelling expenses	2,283	2,292	136	97
Loss on disposal of property, plant and equipment	109	148	-	-
Net exchange loss / (gain)	429	(846)	41	41
Others	4,195	3,880	1,556	1,218
	16,407	14,086	1,774	1,525

note:No non-audit fees were paid to other auditors engaged by certain subsidiaries during 2007 (2006: nil).

(c) Finance costs

Interest expense on				
- secured bank loan	-	23	-	-
- finance lease obligations	9	13	-	-
	9	36	-	-

6 Income tax credit/ (expense)

(a) Income tax in the income statement represents:

	The Group	
	2007 $'000	2006 $'000
Current tax expense	(134)	(958)
Deferred tax credit / (expense) (note 16)	420	(411)
	286	(1,369)

(b) Reconciliation of effective tax rate:

	The Group	
	2007 $'000	2006 $'000
Consolidated profit before taxation	9,977	8,456
Applicable tax rate in Hong Kong	17.5%	17.5%
Expected taxation	1,746	1,480
Adjustments:		
Tax rate differential of subsidiaries	(5)	(552)
Tax effect of non-taxable income	(3,064)	(492)
Tax effect of non-deductible expenses	2,209	724
Over-provision of deferred tax in prior years	(1,203)	(11)
Tax losses not recognised	31	220
	(286)	1,369

The Group's profits derived in Hong Kong are subject to Hong Kong profits tax at 17.5% (2006: 17.5%). No provision for Hong Kong profits tax was made, as the Group's tax losses brought forward from prior years exceed the estimated assessable profits for Hong Kong profits tax purposes for the year (2006: 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 will be entitled to 50% exemption from the applicable standard income rate of 15% for the further three years in 2006, 2007 and 2008 if its production-oriented revenue exceeds 50% of its total revenue in each year ("50% Criteria"). As Armarda Zhuhai did not meet the 50% Criteria in 2007, Armarda Zhuhai was subject to PRC income tax at 15% for 2007.

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 and hence the applicable tax rate of Armarda Zhuhui will be 9% in 2008 subject to the 50% Criteria and will be on the full applicable tax rates for the years onwards.

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 the 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 entity 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.

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 (2006: nil).

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2007 was based on the Group's profit attributable to ordinary shareholders of $10,263,000 (2006: $7,087,000) and the weighted average number of ordinary shares of 362,771,181 (2006: 327,663,921) in issue during the year.

Weighted average number of ordinary shares

	2007	**2006**
	'000	'000
Issued ordinary shares at 1 January	344,432	287,232
Effect of new ordinary shares issued (note 18)	18,339	40,432
Weighted average number of ordinary shares at 31 December	362,771	327,664

(b) Diluted earnings per share

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

8 Investments in subsidiaries

	The Company	
	2007	2006
	$'000	$'000
Unlisted shares, at cost	46,354	45,446

Particulars of the subsidiaries are set out below:

Name of subsidiary	Principal activities	Date and place of incorporation	Effective interest held by the Group
Armarda Holdings Limited (i)	Investment holding	5 May 2003 British Virgin Islands ("BVI")	100%
Armarda Technology Services Limited (i)	Provision of IT consulting and IT support services	29 November 2001 BVI	100%
Armarda International Inc. (i)	Dormant	25 June 2003 BVI	100%
Armarda eAccess Technology Limited (i)	Dormant	29 August 2007 BVI	100%
Armarda Technology (Zhuhai) Limited (ii)	Provision of IT consulting and IT support services	28 March 2003 The PRC	100%
Armarda Technology (Hong Kong) Limited (iii)	Provision of IT consulting and IT support services	17 March 2003 Hong Kong	100%
Armarda Technology (Singapore) Pte. Ltd. (iv)	Liaison office	14 May 2003 Republic of Singapore	100%

(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.

9 Interest in associates

	The Group	
	2007 $'000	2006 $'000
Share of net assets	21,927	2,113
Goodwill	21,408	18,843
	43,335	20,956

Particulars of the associates as at 31 December 2007 are set out below:

Name of associate	Principal activities	Date and place of incorporation	Effective interest
held by the Group			
Brilliant Time Limited ("BTL") (i)/(iii)	Provision of IT consulting and IT support services	28 January 2000 BVI	25%
Fesco E-HR Service (Beijing) Co., Ltd. ("Fesco") (ii)	Provision of IT consulting and IT support services	27 November 2000 The PRC	45%

(i) The consolidated financial statements of BTL were audited by To Wai Chung CPA Ltd, a firm of Certified Public Accountants under Section 28A of the Professional Accountants Ordinance, Chapter 50 in Hong Kong.

(ii) 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. Final capital contribution of approximately $3,933,000 was accrued and is to be paid in 2008 in accordance with the time table of capital contribution.

(iii) On 8 October 2007, BTL entered into an Equity Disposal Agreement with Global Well Holdings Limited (the "Buyer"), to dispose of its 75% equity interests in Ri Da Computer Systems (Chengdu) Limited ("Ri Da Computer") to the Buyer. The principal business of Ri Da Computer is provision of IT consulting and IT support services.

This transaction was completed on 8 October 2007, the total consideration receivable by BTL in connection with this transaction amounted to $1,500,000, to be settled in cash. The gain on disposal of Ri Da Computer recognised by BTL amounted to approximately $790,000.

Summary financial information on associates

	Assets $'000	Liabilities $'000	Equity $'000	Revenues $'000	Profit $'000
2007					
100 per cent	59,692	(4,883)	54,809	37,606	22,045
Group's effective interest	23,492	(1,565)	21,927	12,672	5,529
2006					
100 per cent	21,154	(12,543)	8,611	26,533	9,049
Group's effective interest	5,289	(3,136)	2,153	6,633	2,262

10 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 2006	8,069	2,155	12,564	1,458	24,246
Additions	-	-	35	254	289
Disposals	-	-	(354)	(400)	(754)
Exchange adjustments	291	76	297	20	684
At 31 December 2006	8,360	2,231	12,542	1,332	24,465
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
Accumulated depreciation					
At 1 January 2006	751	890	3,629	566	5,836
Charge for the year	379	448	2,503	275	3,605
Written back on disposal	-	-	(173)	(201)	(374)
Exchange adjustments	36	41	105	7	189
At 31 December 2006	1,166	1,379	6,064	647	9,256
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
Net book value					
At 31 December 2007	7,279	690	4,248	443	12,660
At 31 December 2006	7,194	852	6,478	685	15,209

As at 31 December 2007, the net book value of a motor vehicle held under a finance lease amounted to $143,000 (2006: $234,000).

11 Amounts due from subsidiaries

The amounts due from subsidiaries are non-trade balances, unsecured and repayable upon demand, in which an amount of $68,323,000 (2006: $74,554,000) is interest-bearing at prevailing commercial rate (7.6% and 7.0% per annum at 31 December 2007 and 2006 respectively). The remaining balances are interest free and the Company expects that the amounts will not be repaid within one year.

12 Other assets

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

13 Trade and other receivables

	The Group		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade receivables	30,739	40,889	-	-
Accrued services revenue	7,478	6,942	-	-
Refundable acquisition deposit (note 24(a))	20,000	-	-	-
Other prepayments and receivables	12,945	8,362	126	109
	71,162	56,193	126	109

The aging of trade receivables at the reporting date was:

	The Group	
	2007 $'000	2006 $'000
Current	16,840	15,860
Less than 3 months past due	2,851	-
More than 3 months but less than 12 months past due	1,708	25,029
More than 12 months past due	9,340	-
Amounts past due	13,899	25,029
	30,739	40,889

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 20.

14 Cash and cash equivalents

	The Group		The Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Deposits with banks	68,303	56,386	-	-
Cash at bank and in hand	76,760	33,119	4	4
	145,063	89,505	4	4

As at 31 December 2007, the effective interest rate of cash and cash equivalents was 2.39% (2006: 1.67%) per annum. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 20.

15 Obligations under finance lease

As 31 December 2007, the Group had obligations under a finance lease that are repayable as follows:

The Group

	2007			2006		
	Principal	**Interest**	**Total minimum lease payments**	**Principal**	**Interest**	**Total minimum lease payments**
	$'000	$'000	$'000	$'000	$'000	$'000
Repayable within 1 year	88	5	93	83	9	92
Repayable after 1 year but within 5 years	45	1	46	133	5	138
	133	6	139	216	14	230

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

16 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 benefit of tax losses	Trade receivables	Accrued expenses	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2006	248	(511)	2,281	(191)	50	1,877
Charged / (credited) to the consolidated income statement	(311)	316	458	(13)	(39)	411
Balance at 31 December 2006	(63)	(195)	2,739	(204)	11	2,288
Balance at 1 January 2007	(63)	(195)	2,739	(204)	11	2,288
Charged / (credited) to the consolidated income statement	(101)	120	(466)	9	18	(420)
Balance at 31 December 2007	(164)	(75)	2,273	(195)	29	1,868

The Group has not recognised deferred tax assets in respect of tax losses totalling HK$14,141,000 (2006: HK$13,985, 000) incurred by the Group's operations in Singapore, as their utilisation in the foreseeable future cannot be reasonably ascertained.

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

17 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 Directors	Number granted employees	Total	Estimated fair value of shares granted
				'000	'000	'000	$'000
2 November 2007	12 months since the date granted	2 November 2008 to 2 November 2012	S$0.213	5,250	7,250	12,500	6,039
	24 months since the date granted	2 November 2009 to 2 November 2012	S$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.

(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 professional valuer.

Fair value of options and assumptions

Fair value at grant date	S$0.099
Share price	S$0.210
Exercise price	S$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)

	2007	2006
	$'000	$'000
Staff costs arising from Share Option Scheme transactions	1,580	-

18 Share capital

The Company

	2007 $'000	2006 $'000
Authorised:		
900,000,000 ordinary shares of $0.20 each (2006: 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 (2006: 344,432,140 ordinary shares of $0.20 each)	77,636	68,886

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 2006, 31 December 2006 and 2007	900,000,000	180,000
Issued and fully paid:		
Balance at 1 January 2006	287,232,140	57,446
Issue of new ordinary shares during the year (Note 1)	57,200,000	11,440
Balance at 31 December 2006	344,432,140	68,886
Balance at 1 January 2007	344,432,140	68,886
Issue of new ordinary shares during the year (Note 2)	43,750,000	8,750
Balance at 31 December 2007	388,182,140	77,636

1. On 18 April 2006, the Company issued 57,200,000 new ordinary shares at issue price of HK$0.24 per share by way of private placement to certain independent investors. The net proceeds from the share issue amounted to $12,922,000 (net of issue costs of $806,000).

2. On 31 July 2007, the Company issued 43,750,000 new ordinary shares at issue price of S$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).

19 Reserves

The Group

		Attributable to equity shareholders of the Company					
	Note	Share premium $'000	Foreign currency translation reserve $'000	PRC statutory reserve $'000	Employee share-based capital reserve $'000	Retained profits $'000	Total $'000
Balance as at 1 January 2006		48,018	1,903	5,387	-	33,570	88,878
Issue of new shares		1,482	-	-	-	-	1,482
Net profit for the year		-	-	-	-	7,087	7,087
Appropriation to reserve	(a)	-	-	275	-	(275)	-
Exchange difference on translation of financial statements of foreign entities	(b)	-	3,644	-	-	-	3,644
Balance as at 31 December 2006		49,500	5,547	5,662	-	40,382	101,091
Balance as at 1 January 2007		49,500	5,547	5,662	-	40,382	101,091
Issue of new shares	(c)	61,082	-	-	-	-	61,082
Net profit for the year		-	-	-	-	10,263	10,263
Appropriation to reserve	(a)	-	-	150	-	(150)	-
Exchange difference on translation of financial statements of foreign entities	(b)	-	9,457	-	-	-	9,457
Equity settled share-based payment		-	-	-	1,580	-	1,580
Balance as at 31 December 2007		110,582	15,004	5,812	1,580	50,495	183,473

Notes:

(a) 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.

(b) 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.

(c) The addition to share premium account of $61,082,000 was attributable to the issue of 43,750,000 new ordinary shares on 31 July 2007 (note 18).

The Company

	Share premium	Employee share-based capital reserve	Retained profits	Total
	$'000	$'000	$'000	$'000
Balance as at 1 January 2006	48,018	-	(748)	47,270
Issue of new shares	1,482	-	-	1,482
Net profit for the year	-		1,647	1,647
Balance as at 31 December 2006	49,500	-	899	50,399
Balance as at 1 January 2007	49,500	-	899	50,399
Issue of new shares	61,082	-	-	61,082
Net profit for the year	-	-	1,696	1,696
Equity settled share-based payment	-	1,580	-	1,580
Balance as at 31 December 2007	110,582	1,580	2,595	114,757

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

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

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

Expressed in thousand of HKD

	2007	**2006**
	RMB	RMB
Trade and other receivables	20,525	45,660
Cash and cash equivalent	96,043	79,706
Other payables and accruals	6,343	3,408

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2007	**2006**	**2007**	**2006**
HKD				
RMB 1	1.0294	0.9747	1.0654	0.9962

Sensitivity analysis

A 10 percent weakening of the HKD against the RMB at 31 December would have increased/(decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

	2007	**2006**
	$'000	$'000
RMB	16,485	13,579

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

(ii) Interest rate risk

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	
	2007	**2006**
	$'000	$'000
Fixed rate instruments		
Cash and cash equivalents	68,303	56,386
Obligations under finance lease	(133)	(216)
	68,170	56,170
Variable rate instruments		
Cash and cash equivalents	76,760	33,119

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 by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

	2007	2006
	$'000	$'000
100 basis points increase	768	331

A 100 basis points decrease would have had the equal but opposite effect on the above currencies to 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 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 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 2007

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
	$'000	$'000	$'000	$'000	$'000	$'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 2006						
Non-derivative financial liabilities						
Obligations under finance lease	216	(230)	(46)	(46)	(92)	(46)
Other payables and accruals	9,242	(9,242)	(5,710)	(3,532)	-	-
	9,458	(9,472)	(5,756)	(3,578)	(92)	(46)

(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 2007. 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.

(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) 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 shareholder's equity.

Details of the debt-to-capital at 31 December 2007 was as follows:

	2007	2006
	$'000	$'000
Current liabilities:		
Other payables and accruals	9,354	9,242
Obligations under finance lease	88	83
	9,442	9,325
Non-current liabilities:		
Obligations under finance lease	45	133
Total debt	9,487	9,458
Total capital	261,109	169,977
Debt-to-capital ratio	4%	6%

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

(g) 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.

21 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	
	2007	**2006**
	$'000	$'000
Payable as follows:		
- within 1 year	984	260
- after 1 year but within 5 years	615	262
	1,599	522

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.

22 Material related party transactions

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

23 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 judgement and hence the outcome of the impairment review. Profit or loss could be affected.

(b) Recognition of deferred taxes

Deferred taxes are provided 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.

24 Subsequent events

(a) On 21 November 2007, one of the subsidiaries of the Company, Armarda Holdings Limited, entered into a conditional sale and purchase agreement (the "Agreement") with Mr. Lee Man Lung, Vincent (the "Vendor"), to acquire from the Vendor additional 55% equity interests in BTL for a consideration up to $74,800,000 ("Proposed Acquisition"). Prior to the acquisition, the Group held 25% equity interests in BTL through Armarda Holdings Limited. BTL is principally engaged in the provision of IT consulting and IT support services to the banking and telecommunication industries in the PRC.

Pursuant to the Agreement, a refundable deposit of $20, 000,000 (note 13) which the Group already paid to the Vendor during 2007 will constitute part of the consideration. The remaining consideration of $54,800,000 will be satisfied as follows:

- $20,000,000 is payable in cash within 10 days of the Completion Date (as defined below);
- $30,000,000 is payable in cash within 120 days of the Completion Date or, at the absolute discretion of the Group, the Group may choose to issue, as share consideration, new ordinary shares in the capital of the Company (at the average closing price of the last five trading days immediately preceding the date of such issue without discount) and in compliance with all the then applicable rules and regulations of the Singapore Exchange Securities Trading Limited ("SGX-ST"), and;
- $4,800,000 to be held by the Group in escrow pending fulfilment of the profit guarantee provided by the Vendor in respect of BTL for the year ending 31 December 2008.

Under the Agreement, an option has also been granted to the Group to acquire a further 20% equity interest in BTL from the Vendor at a consideration to be mutually agreed upon after the audited accounts of the BTL for the year ended 31 December 2007 are made available and subject to negotiations.

The Proposed Acquisition is upon the approval of the Company's shareholders ("Completion").

The transaction was approved by the independent shareholders of the Company in a Special General Meeting held on 19 January 2008. Upon the completion of the transaction, BTL will become a subsidiary of the Group.

(b) On 9 January 2008, the Company and Shanghai Zhe Guang Advertising Limited entered into a joint venture contract, under which both parties have agreed to cooperate with each other in respect of forming a foreign invested enterprise (the "FIE") within the PRC, for an electronic payment project in Shanghai. The Group's total commitment to the FIE is RMB27,000,000 (equivalent to approximately $28,766,000), representing approximately 90% of the initial capital of the FIE.

(c) On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the Profits tax rate("new Profits tax rate") in Hong Kong from 17.5% to 16.5% from the fiscal year 2008-09. These changes will be reflected in the 2008 financial statements. The enactment of the new Profits tax rate is not expected to have any financial effect in the amounts accrued in the balance sheet in respect of current taxation payable. The management believes the impact of the new Profits tax rate will not have material effects on the net assets and profit or loss of the Group.

SHAREHOLDERS' INFORMATION

As At 7 March 2008

SHAREHOLDERS' INFORMATION

As At 7 March 2008

SHARE CAPITAL

Authorised share capital	- HK$180,000,000
Issued and fully paid-up share capital	- HK$77,636,428
Class of shares	- Ordinary shares of HK$0.20 each
Voting rights	- On a show of hands : 1 vote for each shareholder
	- On a poll : 1 vote for each ordinary share

PUBLIC SHAREHOLDERS

Based on information available to the Company as at 7 March 2008, 36.42 % of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	5	0.16	509	0.00
1,000 - 10,000	816	26.15	5,180,000	1.34
10,001 - 1,000,000	2,276	72.92	158,123,118	40.73
1,000,001 and above	24	0.77	224,878,513	57.93
	3,121	100.00	388,182,140	100.00

SHAREHOLDERS' INFORMATION

As At 7 March 2008

TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	UOB Kay Hian Pte Ltd	52,613,383	13.55
2	Compelling Vision Technology Limited	44,381,277	11.43
3	Morgan Stanley Asia (S) Securities Pte Ltd	40,950,277	10.55
4	DBS Vickers Securities (S) Pte Ltd	16,271,068	4.19
5	Luk Chung Po	8,876,255	2.29
6	CIMB-GK Securities Pte. Ltd.	8,862,000	2.28
7	OCBC Securities Private Ltd	7,988,000	2.06
8	Hong Leong Finance Nominees Pte Ltd	6,562,000	1.69
9	Kim Eng Securities Pte. Ltd.	5,377,000	1.39
10	Ngoi Sing Shang	3,663,000	0.94
11	Phillip Securities Pte Ltd	3,558,500	0.92
12	Mak Tin Sang	3,550,502	0.91
13	Ong Lay Yen	3,500,000	0.90
14	United Overseas Bank Nominees Pte Ltd	3,350,000	0.86
15	Low Eu Lien Lynn	2,382,000	0.61
16	Mayban Nominees (S) Pte Ltd	1,800,000	0.46
17	Hui Kong Anna Kwok Choy	1,775,251	0.46
18	Koh Teck Yeow	1,600,000	0.41
19	Gao Xiang Jun	1,506,000	0.39
20	Ling Kim Chye	1,391,000	0.36
		219,957,513	56.65

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name	No. of Shares	%	No. of Shares	%
Compelling Vision Technology Limited	44,381,277	11.43	-	-
GC&C Holdings Limited	44,381,277[(1)]	11.43 [(1)]	-	-
Peregrine Soleil Asset Holdings Ltd.	-	-	44,381,277[(2)]	11.43 [(2)]
Aion Technologies Inc.	-	-	44,381,277[(3)]	11.43 [(3)]
Taiwan Secom Co., Ltd.	-	-	44,381,277[(4)]	11.43 [(4)]
Luk Chung Po	8,876,255	2.29	45,308,277[(5)]	11.67[(5)]
Firich Enterprises Co., Ltd.	43,750,000[(6)]	11.27[(6)]	-	-

Notes:

(1) GC&C Holdings Limited holds 44,381,277 shares through the nominee companies.

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

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

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

(5) 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.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2008 Annual General Meeting of Armarda Group Limited will be held at The Executive Centre, Level 14 Prudential Tower, 30 Cecil Street, Singapore 049712 on 26 April 2008 at 10.00 a.m. to transact the following business:

NOTICE OF ANNUAL GENERAL MEETING

Ordinary Business

1 To receive and adopt the directors' report and audited financial statements for the year ended 31 December 2007 together with the auditors' report thereon.

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

(a) Mr Lee Joo Hai

(b) Dr Chou Tao-Hsiung, Joseph

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

3 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 2008 be approved." (2007: S$110,000)

4 To re-appoint KPMG, Hong Kong as auditors of the Company for the year ending 31 December 2008 and to authorise the directors to fix their remuneration.

Special Business

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

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

(b) "That approval be and is hereby given to the directors of the Company or a committee of the directors to offer and grant options in accordance with the provisions of the Armarda Employee Share Option Scheme (including options over shares at an exercise price per share set at a discount to the market price of a share) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Armarda Employee Share

NOTICE OF ANNUAL GENERAL MEETING

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."

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

BY ORDER OF THE BOARD

MAK TIN SANG
COMPANY SECRETARY

Singapore,
3 April 2008

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

(1) The ordinary resolution set out in item no. 5(a), if passed, will empower the directors from the date of the 2008 Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the aggregate number issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company, as more particularly set out in the resolution.

(2) The ordinary resolution set out in item no. 5(b), if passed, will empower the directors to offer and grant options and to allot and issue shares in the capital of the Company pursuant to the Armarda Employee Share Option Scheme provided that the aggregate number of shares to be issued shall not exceed 15% of the 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) A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her/its stead. With the exception of The Central Depository (Pte) Limited who may appoint more than two proxies, any shareholder who is the holder of two or more shares may appoint not more than two proxies. A proxy need not be a shareholder.

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

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