ARMARDA GROUP

2012 ANNUAL REPORT

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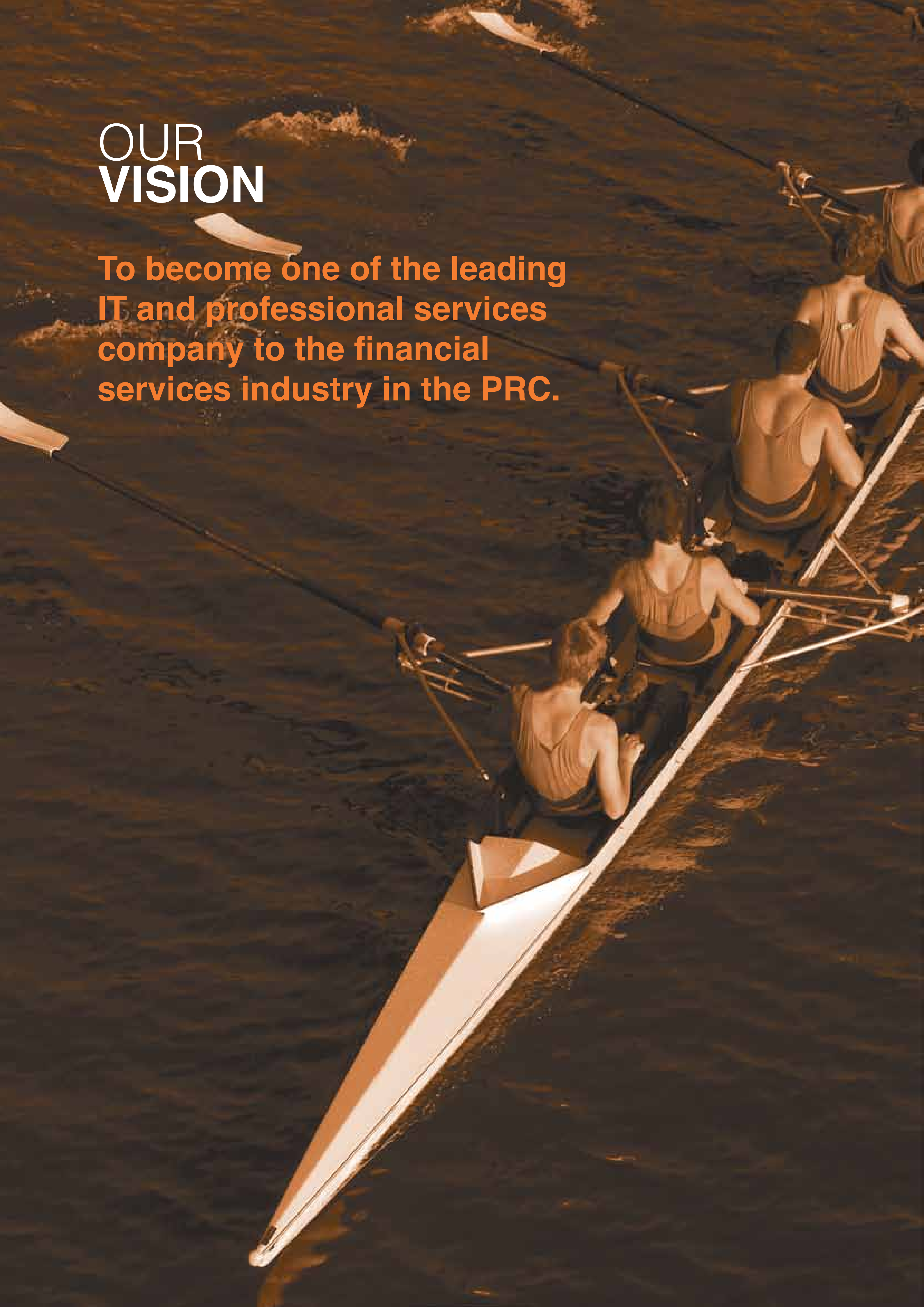
The contact person for the Sponsor is Mr Liau H. K.
Telephone number: 6221 0271



OUR **VISION**

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

CORPORATE PROFILE

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

Under the Group's IT Consulting Services business, Armarda provides IT strategy review and formulation, IT infrastructure architecture and technology integration to banks and financial institutions. 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 sector, coupled with knowledge of the advanced banking systems in developed countries, provide Armarda with a distinct competitive edge to capitalize on the modernization of domestic financial institutions. Armarda has served major customers such as the Bank of Communications and China Construction Bank, Shenzhen Rural Commercial Bank, Chongqing Commercial Bank and the Bank of Dongguan.

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

Armarda has established principle operations in Hong Kong, Beijing and Zhuhai for its IT consulting services.

MESSAGE FROM CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present you the annual report of the Armarda Group for FY2012.

For FY2012, the market condition in the PRC IT industry where we operates remains to be highly difficult due to, alike the preceding years, the increasingly tense competition from the continuous entrance of both local and international market players and the continuous decrease in IT related spending by our existing clients. However, with our team's effort to develop businesses in this genre, I am pleased to report that the financial performance of our group for FY2012 has been improved with an increase in revenue by approximately HK$28 million and a reduction in our net operating loss.

Another milestone which we have achieved for FY2012 is the successful acquisition of the remaining 25% equity interest in China RFID Limited and the company has now become a wholly owned subsidiary of our group. Our RFID business has been progressed modestly for FY2012 and our increase in revenue for the period was also partly contributed from the sales of RFID chips.

Looking ahead for FY2013, while we expect the IT consulting market condition in the PRC would remain tough, we will strive to maintain our growth momentum by devoting more resources and efforts in developing our more promising business initiatives such as the RFID business and the Thuraya mobile satellite communication services in the PRC. We will also continue our strategy to explore new business opportunities with great growth potential as well as looking for any Merger and Acquisition possibilities which are beneficial to the interest of our group and could enhance our shareholders' value in the long run.

Last but not least, I would like to extend my appreciation and gratitude to our management team and all fellow staff for their great effort and devotion to our company throughout this 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
28 June 2012

MESSAGE FROM CEO

I am delighted to present you the operational and financial performance of the Armarda Group for FY2012, a year which we have achieved improvement.

Our group's financial performance for FY2012 had embarked our notable effort undertaken to overcome the very difficult market condition in the PRC IT industry. Our group's revenue generated in the 15 months from 1 January 2011 to 31 March 2012 ("FY2012") had increased to approximately HK$48.2 million from approximately HK$20.5 million in the 12 months of 2010 ("FY2010"). The increase in revenue in FY2012 was mainly attributable from an increase in IT consultancy income through our team's continuous effort in developing our core business and an increase in the sales of RFID chips. Our group had continued a loss making position for FY2012 but the Net Loss After Tax for the year had reduced to approximately HK$50.3 million as compared with approximately HK$110 million in FY2010.

The specific business milestone which Armarda had accomplished for FY2012 was the successful acquisition the remaining 25% equity interest of China RFID Limited. With China RFID Limited being our wholly owned subsidiary, we could now fully procured the opportunity to get involved in the huge and growing RFID market in the PRC to supply RFID chips for the use of electronic passport applications in the PRC. In this respect, I am pleased to report that revenue had commenced to generate from our RFID business and as described above, the sales of the RFID chips have been reflected in our income stream for FY2012.

For FY2013, our Group's strategies will continue to trim down the focus on the highly difficult and competitive IT consulting market in the PRC and will strengthen our growth by concentrating our effort and resources on our new business initiatives such as the RFID business and Thuraya mobile satellite communication services in the PRC. We will also strive to empower up our group's ongoing development by actively searching for new promising business opportunities with substantial growth and profit potential for FY2013.

Lastly, I would like to extend my warmest appreciation and gratitude to all shareholders, our board members and fellow employees at Armarda, customers, suppliers and business partners, for your great support and understanding for the period.

Luk Chung Po, Terence
Chief Executive Officer
28 June 2012

BOARD OF DIRECTORS

DR CHOU TAO-HSIUNG, JOSEPH
Non-executive Chairman

Dr Joseph Chou was appointed as the Group's Non-executive Chairman in March 2004. He is responsible for overseeing the business policies and strategies of our Group. Prior to his present position, Dr Chou served as a Chief Consultant (Business) with Taiwan Secom Co Ltd from March 2003 to February 2006. He also served as the Chairman and Chief Executive Officer of Aion Technologies Inc. between 2000 and 2003. Dr Chou spent more than 18 years with IBM in the USA including 3 years on assignment with IBM in Taiwan. He was the Chairman and President in charge of the overall operations of IBM in Taiwan from 1968 to 1971. Dr Chou holds a PhD in Econometrics from the Iowa State University, USA and a Master of Science in Agriculture Economics from the Cornell University, USA. Dr. Chou was last re-elected as Director on 24 April 2010.

MR LUK CHUNG PO, TERENCE
Executive Director, Deputy Chairman & Chief Executive Officer

Mr Terence Luk was appointed as our CEO in June 2005. He is responsible for the overall strategic planning and business development of our Group. From 1986 to 1995, Mr Luk held various senior positions in the Unisys Group's subsidiaries in China - Unisys China Limited and Unisys China/Hong Kong Limited. From 1995-1997, Mr Luk was appointed as the General Manager of China operations, Cisco Systems. Mr Luk cofounded and was appointed as the Vice-Chairman of Hong Kong-listed Technology Venture Holdings Limited between 1997 and 2001. Since September 2002, Mr Luk has also been the Non-executive Chairman of Singapore-listed LottVision Limited. Mr Luk holds a Bachelor's Degree in Business Administration from the Chinese University of Hong Kong. Mr Luk was last re-elected on 25 April 2009 and will be due for re-election at the coming AGM.

MR GAO XIANGJUN, RICHARD
Executive Director

Mr Gao Xiang Jun was appointed as Executive Director in February 2009. He is responsible for formulating the Group's strategic direction along with the rest of the Board as well as for fund raising.

From 1984 to 1990, Mr Gao worked for China Academy Of Launch Vehicle Technology. Where, he was involved in a lot of research work. In 1994, Mr Gao founded G.L. international Inc. (a computer network systems and related products supplier based in California), and acted as its Chief Executive Officer from 1994 to 2002. Mr Gao was appointed as Non-executive Chairman of Koyo International Limited (formerly known as Cyber Village Holdings Limited) from May 2004 to May 2007. He is also currently the Non-Executive Director of Singapore-listed Lottvision Limited.

Mr Gao holds a master's degree in Software Engineering from Fudan University, PRC. Mr Gao was last re-elected on 23 April 2011.

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 LLP, 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 was last re-elected as Director on 24 April 2010 and will be due for re-election at the coming AGM.

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 Director of VCOD(S'pore) Pte Ltd. Mr Phuah was an engineer with Hewlett Packard between 1992 to 1993 and Esso between 1993 to 1994 before moving on to the Mentor Media group of companies in 1995 where he held senior positions. Mr Phuah holds a Bachelor's Degree (First Class Honours) in Electrical Engineering from the National University of Singapore. Mr Phuah was last re-elected as Director on 23 April 2011.

BUILDING OUR **MOMENTUMS**

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 CHU YIN LING, KAREN

Financial Controller

Ms Chu Yin Ling was appointed as Financial Controller in July 2009. Ms Chu is responsible for overseeing the Group's accounting and financing activities. Prior to joining the Company, she was the accounting manager of LottVision Limited. She has more than 10 years of financial accounting experience. Ms Chu holds a Master's Degree in Professional Accounting from the Hong Kong Polytechnic University. She is also an associate member of the Hong Kong Institute of Certified Public Accountant

MR WEN FENG

General Manager of Armarda Zhuhai

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS
Dr Chou Tao-Hsiung, Joseph
(Non-executive Chairman)
Luk Chung Po, Terence (Executive Director,
Deputy Chairman and Chief Executive Officer)
Gao Xiangjun, Richard (Executive Director)
Lee Joo Hai (Independent Director)
Phuah Lian Heng (Independent Director)

KEY MANAGEMENT
Mak Tin Sang (Chief Financial Officer)
Chu Yin Ling, Karen (Financial Controller)
Wen Feng (General Manager of Armarda Zhuhai)

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

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

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

COMPANY SECRETARY
Mak Tin Sang

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

BERMUDA REGISTRAR AND SHARE REGISTRAR AGENT
Appleby Management (Bermuda) Limited
Canon's Court,
22 Victoria Street,
Hamilton HM 12,
Bermuda

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

AUDITORS
Crowe Horwath First Trust LLP
Certified Public Accountants
8 Shenton Way, #05-01 AXA Tower
Singapore 068811
Partner-in-charge: Mr. Tan Kuang Hui
(since financial period ended 31 March 2012)

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

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

CONTINUING SPONSOR
Asian Corporate Advisors Pte. Ltd.
112 Robinson Road
#03-02,
Singapore 068902

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

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, set company values & standard and approves nomination of Directors to the Board and the appointment of key management personnel. These functions are carried out either directly or through designated Board Committees including the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"), each of which operate within clearly defined and written terms of reference and functional procedures.

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

- Corporate strategy and business plans
- Material acquisitions and divestments of assets
- Funding decisions of the Group
- The Group's risk governance framework
- Dividends and other returns to shareholders
- All matters of strategic importance

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.

There is a process for formal letters of appointment for each new director, setting out duties and obligations upon appointment for each new director.

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	Member	Member
Mr Luk Chung Po, Terence	Executive Director, Deputy Chairman and Chief Executive Officer	-	-	-
Mr Lee Joo Hai	Independent Director	Chairman	Member	Member
Mr Phuah Lian Heng	Independent Director	Member	Chairman	Chairman
Mr Gao Xiangjun, Richard	Executive Director	-	-	-

CORPORATE GOVERNANCE REPORT

The Group believes that there should be a strong and independent element in the Board to exercise objective judgment. The Board of Directors currently comprises 5 directors, of which 2 are independent and 1 is non-executive. The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board. Key information regarding the Directors' academic and professional qualifications, other appointments, date of appointment and last re-election date is set out on page 6 of the Annual Report. The shareholdings of the Directors in the Company and its subsidiaries are set out on page 20 of the Annual Report.

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

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

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

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

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND BOARD COMMITTEES HELD FROM 1 JANUARY 2011 TO 31 MARCH 2012

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Dr Chou Tao-Hsiung, Joseph	5	5	5	5	2	2	2	2
Mr Luk Chung Po, Terence	5	5	-	-	-	-	-	-
Mr Lee Joo Hai	5	5	5	5	2	2	2	2
Mr Phuah Lian Heng	5	5	5	5	2	2	2	2
Mr Gao Xiangjun, Richard	5	4	-	-	-	-	-	-

No. of board meetings held from 1 January 2011 to 31 March 2012: 5
No. of audit committee meetings held from 1 January 2011 to 31 March 2012: 5
No. of nominating committee meetings held from 1 January 2011 to 31 March 2012: 2
No. of remuneration committee meetings held from 1 January 2011 to 31 March 2012: 2

Principle 3: Role of Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer ("CEO") perform separate functions to ensure that there is an appropriate balance of power and authority, and that accountability and independent decision-making are not compromised. The Chairman is Dr Chou Tao-Hsiung, Joseph and the CEO is Mr Luk Chung Po, Terence. Apart from providing guidance on the corporate direction of the Group, the Chairman chairs Board meetings, and controls the quality, quantity and timeliness of information supplied to the Board. The role of the Chairman also includes ensuring effective communication with shareholders of the Company, encourages constructive relations between the Board and Management, lead the Board to ensure its effectiveness on all aspects of its role and set its agenda, facilitates the effective contribution of non-executive directors in particular, encourages constructive relations between executive directors and non-executive directors and promotes high standards of corporate governance. The CEO sets the business strategies and directions for the Group and manages the business operations of the Group with other senior management staff. The Chairman and the CEO are not related.

Principle 4: Board Membership
Principle 5: Board Performance

Nominating Committee ("NC")

The NC comprises Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr. Chou Tao-Hsiung, Joseph. The NC is chaired by Mr Phuah Lian Heng, who is not associated with any substantial shareholder of the Company.

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

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

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

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

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

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

The NC has adopted a formal process and criteria to assess the effectiveness of the Board and each of the directors. The evaluation is carried out annually.

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 has recommended to the Board that Mr. Luk Chung Po, Terence and Mr Lee Joo Hai be nominated for reappointment at the forthcoming AGM. In making its recommendations, the NC had considered the Directors' overall contribution and performance.

Principle 6: Access to Information

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

The Board has separate and independent access to senior management and the company secretary at all times. The company secretary administers, attends and prepares minutes of Board meetings, assists the Chairman in ensuring that (i) Board procedures are followed and reviewed so that the Board functions effectively; and (ii) the Group's Bye-laws and relevant rules and regulations, including requirements of the Bermuda Companies Act and Section B: Rules of Catalist of the Listing Manual of the SGX-ST (the "Catalist Rules") are complied with. The appointment and removal of the company secretary is a matter for the Board to decide as a whole.

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

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

<u>Remuneration Committee ("RC")</u>

The RC comprises Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr Chou Tao-Hsiung, Joseph. The RC is chaired by Mr Phuah Lian Heng. Majority of the RC, including Mr Phuah Lian Heng, are Independent Directors.

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

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

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

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

The Group sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group. Where necessary, the RC will refer to industry benchmarks to ensure that remuneration packages are competitive.

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

Except for the share options granted under the Armarda Employee Share Option Scheme, Dr Chou Tao-Hsiung, Joseph did not receive any compensation. The remuneration of the Independent Directors is in the form of a combination of a fixed directors' fee as well as share options, which are performance related. Such fees will be pro-rated for the fifteen months ended 31 March 2012. 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.

Independent Directors generally receive directors' fees and may receive share options, in accordance with their respective contributions to the Group. The fees are subject to approval by the shareholders' at each Annual General Meeting.

The remuneration paid to the Directors and senior Executive Officers for services rendered during the fifteen months ended 31 March 2012 are as follows:

Remuneration Bands	Salary	Performance bonus	Directors' fees	Others[1]	Total
	%	%	%	%	%
Directors					
S$250,000 -S$500,000	-	-	-	-	-
Below S$250,000					
Dr Chou Tao-Hsiung, Joseph	-	-	-	-	-
Mr Luk Chung Po, Terence	100	-	-	-	100
Mr Lee Joo Hai	-	-	100	-	100
Mr Phuah Lian Heng	-	-	100	-	100
Mr Gao Xiangjun, Richard	100	-	-	-	100
Executive Officers					
S$250,000 -S$500,000					
Below S$250,000					
Mr Mak Tin Sang	100	-	-	-	100
Mr Wen Feng	100	-	-	-	100
Chu Yin Ling, Karen	100	-	-	-	100

Notes:

(1) Includes share options granted under the Armarda Employee Share Option Scheme.

There are altogether 3 Executive Officers receiving remuneration during the period.

There are no persons occupying managerial positions in the Company who are related to a Director or substantial shareholder of the Group who earned more than S$150,000 per annum for the financial period ended 31 March 2012.

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

Principle 10: Accountability and Audit

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

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

Principle 11: Audit Committee

Audit Committee ("AC")

The AC comprises Mr Lee Joo Hai, Mr Phuah Lian Heng and Dr Chou Tao-Hsiung, Joseph. The AC is chaired by Mr Lee Joo Hai. Majority of the AC, including Mr. Lee Joo Hai, are Independent Directors. Dr , Joesph Tao-Hsiung, Joseph is a Non-Executive Director.

The Chairman of the AC, Mr Lee Joo Hai, has more than 20 years of experience in accounting and auditing. The other members of the AC have a significant number of years of experience in business and financial management. For more details of the qualifications of the members of the AC, please refer to page 6 of the Annual Report.

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

a) reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;
b) reviewing the effectiveness and adequacy of the overall internal control system including the financial, operational and compliance risks and risk management policies and systems;
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;
h) having explicit authority to investigate any matter; and
i) other functions as required by law or the Code.

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

During the financial year, the AC has met 5 times to discuss and review the audit plans and the audit reports.

The AC has been given full access to and is provided with the co-operation of the Group's management. In addition, the AC has independent access to the external auditors. The AC meets with the external auditors without the presence of management, and reviews the effectiveness of the internal controls established by management, at least once a year. The AC has reasonable resources to enable it to discharge its functions properly.

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

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls including the financial, operational and compliance risks and risk management policies and systems 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 12: Internal Controls

The board conducts the review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls as well as risk management annually.

Based on the discussion with the auditors and the management for the internal controls established and maintained by the Group, work performed by the internal and external auditors, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 March 2012.

Principle 13: Internal Audit

The internal audit procedures enable the AC and the Board in the evaluation of the effectiveness of internal control system in order to safeguard shareholders' investments and the Group's assets.

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

The AC reviews the internal audit report on an annual basis to ensure the adequacy of the internal audit function and approves the annual internal audit plans as well.

AC discusses with the internal auditors without the presence of management at least once a year.

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

The Company believes that effective communication can highlight transparency and enhance accountability to its shareholders.

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

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

All shareholders of the Company will receive the Annual Report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at AGM and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. At the Company's general meetings, the Directors are in attendance to answer queries from shareholders. All minutes of general meetings and a summary of the questions and answers raised at general meetings are available to shareholders upon their request.

The Company's Bye-laws allows a shareholder to appoint one or two proxies to attend and vote at general meetings. Such limit will be proposed to be removed by a special resolution in the next general meeting.

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

Whistle blowing policy

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

Material Contracts

Save for the service agreement between the Executive Directors and the Company, there are no material contracts entered into by the Group or its subsidiaries and in which the Chief Executive Officer or any Director or controlling shareholders were interested subsisting at the end of the financial period ended 31 March 2012.

Risk Management

The Group does not have a Risk Management Committee. However, the management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are found on page 84 to 94 of the Annual Report.

Armarda Employee Share Option Scheme ("ESOS")

The ESOS is administered by the Remuneration Committee comprising Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr Chou Tao-Tsiung, Joseph. There were no share options granted during the financial period ended 31 March 2012. A summary of the ESOS is set out on pages 68 to 69 of the Annual Report.

Dealings in Securities

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

Interested Person Transactions

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

There were no transactions with interested persons during the financial period ended 31 March 2012 as specified in Chapter 9 of the Catalist Rules.

Use of Placement Proceeds

The net proceeds received by the Company of approximately HK$39,000,000 from the issue of 400,000,000 shares pursuant to a placement exercise made on 22 September 2010 and the net proceeds received by the Company of approximately HK$22,400,000 from the issue of 114,000,000 shares pursuant to a placement exercise made on 27 January 2011 have been fully utilized. The detail of the use of proceeds was disclosed in the announcement made on 7 July 2011, 17 February 2012 and 23 May 2012. The following is the summary of the use of proceeds:

	400 million Placement Shares HK$'000	114 million Placement Shares HK$'000
Balance proceeds since disclosed in last annual report	19,000	-
Net proceeds disclosed in last annual report	-	22,400
Less :		
• Working capital purposes up to 30 December 2010 (announced on 30 December 2010 and 7 July 2011)	9,000	-
• Cash consideration for the acquisition of 25% of the issued share capital of China RFID Limited (announced on 7 July 2011)	3,500	-
• Working capital purposes up to 30 June 2011 (announced on 7 July 2011)	3,000	-
• Working capital purposes up to 30 April 2012	3,500	12,400
• Direct attributable legal, professional and other expenses in relation to an acquisition: namely that for the 45% equity interest in China Satellite Mobile Communications Group Limited (approved on 21 December 2011) up to 31 December 2011		6,000
• Direct attributable legal, professional and other expenses in relation to an acquisition: namely that for the 45% equity interest in China Satellite Mobile Communications Group Limited (approved on 21 December 2011) up to 30 April 2012		4,000
Balance proceeds as at 30 April 2012		NIL

The net proceeds received by the Company of approximately HK$16,650,000 from the issuance of 96,000,000 shares pursuant to a placement exercise which the allotment of Shares was made on 21 June 2012 has not been used.

Non-sponsor Fees

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Asian Corporate Advisors Pte. Ltd. ("the Sponsor").

The amount of non-sponsored fee paid to the Sponsor was S$100,000 for work rendered during the financial period ended 31 March 2012.

In addition, other than the amounts indicated above the amount of non-sponsored fee which is outstanding and payable for professional work rendered during the financial period ended 31 March 2012, is S$120,000 and this excludes the in kind payment of incentive fees for professional work rendered comprising 35,000,000 fully paid up ordinary shares ("Professional Fee Shares") of the Company. As of the date of this annual report, the Professional Fee Shares have not been issued.

DIRECTORS' REPORT

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012

The directors present their report to the members together with the audited financial statements of Armarda Group Limited (the "Company") and subsidiaries (the "Group") for the financial period from 1 January 2011 to 31 March 2012 and the balance sheet of the Company as at 31 March 2012.

Directors

The directors of the Company in office at the date of this report are as follows:

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

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Except as disclosed under "Share options" in this report, neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object was 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. Certain directors received remuneration from related corporations in their capacity as directors of those related corporations.

Directors' interests in shares or debentures

(a) According to the register kept by the Company, none of the directors holding office at the end of the financial period had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		Deemed interests	
	At 1 January 2011	At 31 March 2012	At 1 January 2011	At 31 March 2012
Company				
Ordinary shares of HK$0.05 each fully paid				
Dr Chou Tao-Hsiung, Joseph	887,626	887,626	-	-
Mr Luk Chung Po, Terence	8,876,255	8,876,255	44,381,277	44,381,277
Mr Gao Xiangjun, Richard	1,506,000	1,506,000	-	-

The directors' interests in the ordinary shares of the Company as at 21 April 2012 were the same as those as at 31 March 2012.

Luk Chung Po, Terence is deemed to have interest in the share capital of the Company's wholly-owned subsidiaries, through his direct shareholding in Compelling Vision Technology Limited.

Directors' interests in shares or debentures (Continued)

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial period had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Company's Employee Share Option Scheme as set out below and under "Share options" in this report.

	No. of unissued ordinary shares under option	
	At 31 March 2012	At 1 January 2011
2007 Options		
Dr Chou Tao-Hsiung, Joseph	2,000,000	2,000,000
Mr Luk Chung Po, Terence	6,000,000	6,000,000
Mr Lee Joo Hai	800,000	800,000
Mr Phuah Lian Heng	700,000	700,000

Directors' contractual benefits

Since the end of the previous 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 the director is a member or with a company in which the director has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Share options

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

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. 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. The exercise price of the options 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 vesting of the options granted is one to two years. Once the options are vested, they are exercisable for a period of 5 years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

The Scheme became operative upon the Company granting options to subscribe for 25,000,000 ordinary shares of the Company on 2 November 2007 ("2007 Options") at market price or a price which is set at a discount to the market price. The 2007 Options are exercisable from 2 November 2008 or 2 November 2009 and expire on 2 November 2012. The total fair value of the 2007 Options granted was estimated to be S$2,471,000 using the Binomial Valuation Model.

Share options (Continued)

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	(Independent Director)
Dr Chou Tao-Hsiung, Joseph	(Non-Executive Chairman)

Details of the options granted are as follows:

	No. of unissued ordinary shares under option				
	Options granted during the financial period	Aggregate options granted since commencement of scheme to 31 March 2012	Aggregate options lapsed since commencement of scheme to 31 March 2012	Aggregate options exercised since commencement of scheme to 31 March 2012	Aggregate options outstanding as at 31 March 2012
Directors of the Company					
Dr Chou Tao-Hsiung, Joseph	-	2,000,000	-	-	2,000,000
Mr Luk Chung Po, Terence	-	6,000,000	-	-	6,000,000
Mr Lee Joo Hai	-	800,000	-	-	800,000
Mr Phuah Lian Heng	-	700,000	-	-	700,000
Participants (receive 5% or more of the total number of options available under the scheme)					
Mak Tin Sang	-	4,000,000	-	-	4,000,000
Wang Hui	-	2,000,000	-	-	2,000,000
Wen Feng	-	2,000,000	-	-	2,000,000
Zhang Yu Lin	-	2,000,000	-	-	2,000,000
Participants (receive less than 5% of the total number of options available under the scheme)					
Other employees	-	5,500,000	1,700,000	-	3,800,000
Total options granted to directors and employees of the Group		**25,000,000**	**1,700,000**	**-**	**23,300,000**

(a) Employee Share Option Scheme

No options are granted to the directors and employees of the Company and the subsidiaries during the period.

No options have been granted at a discount during the financial period.

No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporations have been granted.

No options have been granted to the controlling shareholders or their associates since the commencement of the Scheme.

Share options (Continued)

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the Scheme outstanding at the end of the financial period was as follows:

	Number of unissued shares under option at 31 March 2012	Exercise price	Number of option holders at 31 March 2012	Exercise period
2007 Options	11,650,000	S$0.213	26	2 November 2008 to 2 November 2012
2007 Options	11,650,000	S$0.213	26	2 November 2009 to 2 November 2012

Except as disclosed above, during the financial period, there were:

- no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries;
- no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries; and
- no unissued shares of the Company or its subsidiaries under option.

Warrants

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

Internal Controls

The board conducts the review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls as well as risk management annually.

Based on the discussion with the auditors and the management for the internal controls established and maintained by the Group, work performed by the internal and external auditors, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 March 2012.

Audit committee

The members of the Audit Committee at the end of the financial period are as follows:

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

Audit committee (Continued)

The Audit Committee carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial period ended 31 March 2012 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

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

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination. Details of the fees paid / payable to Crowe Horwath First Trust LLP for the period ended 31 March 2012 are as follow:

	HK$
Statutory audit	657,000
Non-audit services	22,000

In appointing the external auditors for the Company, subsidiaries and the associated company, the Company has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited. Under Catalist Rule 716, the Board of Directors and Audit Committee are satisfied that the appointments of different auditors for statutory purpose would not compromise the standard and effectiveness of the audit. Please refer to Note 7 to the financial statements for details.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

DR CHOU TAO-HSIUNG, JOSEPH	**LUK CHUNG PO, TERENCE**
Non-Executive Chairman	Director and Chief Executive Officer

28 June 2012

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 29 to 96 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 March 2012 and of the results, changes in equity and cash flows of the Group for the financial period from 1 January 2011 to 31 March 2012; and

(b) 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.

On behalf of the Board of Directors

DR CHOU TAO-HSIUNG, JOSEPH
Non-Executive Chairman

LUK CHUNG PO, TERENCE
Director and Chief Executive Officer

28 June 2012

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARMARDA GROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Armarda Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 29 to 96, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial period from 1 January 2011 to 31 March 2012, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 policies used and the reasonableness of accounting estimates made by management, 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 audit opinion.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARMARDA GROUP LIMITED

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 March 2012, and of the financial performance of the Group and the cash flows of the Group for the period from 1 January 2011 to 31 March 2012 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which indicates that the Group registered a net loss of $50,303,000 (2010: $110,338,000) and negative operating cash flows of $23,283,000 (2010: $40,713,000) for the financial period ended 31 March 2012. The Group is in the process of scaling down its core business and is undergoing a business restructuring exercise to invest in other business opportunities. Two of the Group's subsidiaries, Brilliant Time Limited and China RFID Limited, which were acquired in previous financial years to be major profit generators of the Group, exhibited less than desired financial performances during the current financial period.

As a result of the above and to improve its financial performance, the Company entered into a conditional sale and purchase agreement ("SPA") with certain vendors to acquire 45% equity interest in China Satellite Mobile Communications Group Limited and its subsidiaries at a purchase consideration of approximately $454,500,000, satisfied by loan notes and the issuance of new ordinary shares ("Proposed Acquisition") as disclosed in Note 35 to the financial statements. As at the date of this report, the final completion of the Proposed Acquisition is subject to the fulfilment of certain conditions precedent as stated in the SPA.

The ability of the Group to achieve profitability and to generate positive operating cash flows in the foreseeable future is dependent on the following factors:

(i) successful outcome of the Proposed Acquisition; and
(ii) significant increase in positive future contribution by Brilliant Time Limited and China RFID Limited.

The ultimate outcome of the above factors cannot be presently determined.

Other Matter

The financial statements for the year ended 31 December 2010 were audited by another firm of certified public accountants whose report dated 29 March 2011 expressed an unmodified opinion on those financial statements.

Crowe Horwath First Trust LLP
Public Accountants and
Certified Public Accountants

28 June 2012

BALANCE SHEETS

AS AT 31 MARCH 2012
(Amounts in Hong Kong dollars)

	Note	Group		Company	
		31 March 2012	31 December 2010	31 March 2012	31 December 2010
		$'000	$'000	$'000	$'000
			(Note 38)		(Note 38)
ASSETS					
Non-current assets					
Property, plant and equipment	4	4,250	7,798	-	-
Intangible assets	5	4,278	10,841	-	-
Investment property	6	5,765	-	-	-
Subsidiaries	7	-	-	-	-
Associate	8	27,496	25,253	-	-
Amounts due from subsidiaries	9	-	-	60,486	131,142
Other investment	10	2,837	6,754	-	-
Other assets		973	933	-	-
		45,599	51,579	60,486	131,142
Current assets					
Trade and other receivables	11	66,820	82,826	211	133
Cash and bank balances		13,089	12,676	4	4
		79,909	95,502	215	137
TOTAL ASSETS		125,508	147,081	60,701	131,279
LIABILITIES					
Current liabilities					
Trade and other payables	12	17,401	11,019	3,008	836
Borrowing	13	5,519	-	-	-
Lease obligations	14	436	203	-	-
Income tax payable		469	449	-	-
		23,825	11,671	3,008	836
Non-current liabilities					
Lease obligations	14	-	487	-	-
Deferred tax liabilities	15	1,291	3,072	-	-
		1,291	3,559	-	-
TOTAL LIABILITIES		25,116	15,230	3,008	836
NET ASSETS		100,392	131,851	57,693	130,443

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 MARCH 2012

(Amounts in Hong Kong dollars)

	Note	Group		Company	
		31 March 2012	31 December 2010	31 March 2012	31 December 2010
		$'000	$'000	$'000	$'000
			(Note 38)		(Note 38)
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	16	56,432	48,232	56,432	48,232
Share premium	17	159,991	131,542	159,991	131,542
Contributed surplus	18	43,348	43,348	43,348	43,348
Translation reserve	19	31,806	27,983	-	-
Statutory reserve	20	5,863	5,863	-	-
Revaluation reserve	21	1,561	98	-	-
Share-based capital reserve	22	20,174	12,544	20,174	12,544
Other reserve	23	(49,466)	(19,027)	-	-
Accumulated losses	24	(169,317)	(120,140)	(222,252)	(105,223)
		100,392	130,443	57,693	130,443
Non-controlling interest		-	1,408	-	-
TOTAL EQUITY		100,392	131,851	57,693	130,443

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2012

(Amounts in Hong Kong dollars)

	Note	1 January 2011 to 31 March 2012 $'000	1 January 2010 to 31 December 2010 $'000
Revenue	25	48,184	20,491
Other income	26	1,166	654
Personnel expenses	27	(9,128)	(7,636)
Depreciation of property, plant and equipment	4	(686)	(731)
Amortisation of intangible assets	5	(6,563)	(10,864)
Impairment of:			
- intangible assets		-	(77,100)
- other investment	10	(4,110)	(6,065)
- other receivables	36(c)	(3,487)	-
Cost of goods sold		(21,477)	(9,759)
Subcontracting fees		(19,404)	(5,620)
Other expenses	28	(38,405)	(12,439)
Finance costs		(165)	(320)
Share of profit of associate	8	1,250	80
Loss before tax	29	(52,825)	(109,309)
Income tax	30(a)	2,522	(1,029)
Loss for the period / year		(50,303)	(110,338)
Other comprehensive income:			
Currency translation difference arising from consolidation		2,830	2,254
Share of translation reserve of associate	8	993	749
Revaluation gain on property, plant and equipment	30(b)	1,463	-
Total comprehensive loss for the period / year		(45,017)	(107,335)
Loss attributable to:			
Equity holders of the Company		(49,388)	(108,226)
Non-controlling interest		(915)	(2,112)
		(50,303)	(110,338)
Total comprehensive loss attributable to:			
Equity holders of the Company		(44,102)	(105,223)
Non-controlling interest		(915)	(2,112)
		(45,017)	(107,335)
Loss per share (cents)			
Basic	31(a)	(4.49)	(16.07)
Diluted	31(b)	(4.41)	(16.07)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2012
(Amounts in Hong Kong dollars)

31 March 2012
Group

	Attributable to equity holders of the Company											
	Share capital	Share premium	Contributed surplus	Translation reserve	Statutory reserve	Revaluation reserve	Share-based capital reserve	Other reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2011	48,232	131,542	43,348	27,983	5,863	98	12,544	(19,027)	(120,140)	130,443	1,408	131,851
Loss for the period	-	-	-	-	-	-	-	-	(49,388)	(49,388)	(915)	(50,303)
Other comprehensive income, net of tax	-	-	-	3,823	-	1,463	-	-	-	5,286	-	5,286
Total comprehensive income / (loss)	-	-	-	3,823	-	1,463	-	-	(49,388)	(44,102)	(915)	(45,017)
Issuance of shares	5,700	18,835	-	-	-	-	-	-	-	24,535	-	24,535
Share issuance expense	-	(1,318)	-	-	-	-	-	-	-	(1,318)	-	(1,318)
Equity settled share-based payment	-	-	-	-	-	-	7,841	-	-	7,841	-	7,841
Lapse of employee share options	-	-	-	-	-	-	(211)	-	211	-	-	-
Total contributions by and distributions to owners	5,700	17,517	-	-	-	-	7,630	-	211	31,058	-	31,058
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interest without a change in control	2,500	10,932	-	-	-	-	-	(30,439)	-	(17,007)	(493)	(17,500)
Total transactions with owners in their capacity as owners	8,200	28,449	-	-	-	-	7,630	(30,439)	211	14,051	(493)	13,558
Balance at 31 March 2012	56,432	159,991	43,348	31,806	5,863	1,561	20,174	(49,466)	(169,317)	100,392	-	100,392

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2012

31 March 2012
Group

	Attributable to equity holders of the Company												
	Share capital $'000	Share premium $'000	Contributed surplus $'000	Translation reserve $'000	Statutory reserve $'000	Revaluation reserve $'000	Share-based capital reserve $'000	Reserve for shares to be issued $'000	Other reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 January 2010	102,261	108,612	-	24,980	5,863	98	12,544	14.720	(19,027)	(53,262)	196,789	3,520	200,309
Loss for the period	-	-	-	-	-	-	-	-	-	(108,226)	(108,226)	(2,112)	(110,338)
Other comprehensive income, net of tax	-	-	-	3,003	-	-	-	-	-	-	3,003	-	3,003
Total comprehensive income / (loss)	-	-	-	3,003	-	-	-	-	-	(108,226)	(105,223)	(2,112)	(107,335)
Contributions by and distributions to owners													
Issuance of new ordinary shares	20,000	18,877	-	-	-	-	-	-	-	-	38,877	-	38,877
Reserve for shares to be issued	10,667	4,053	-	-	-	-	-	(14,720)	-	-	-	-	-
Capital reorganisation (Note 16)	(84,696)	-	84,696	-	-	-	-	-	-	-	-	-	-
Accumulated losses written off	-	-	(41,348)	-	-	-	-	-	-	41,348	-	-	-
Total transactions with owners in their capacity as owners	(54,029)	22,930	43,348	-	-	-	-	(14,720)	-	41,348	38,877	-	38,877
Balance at 31 December 2010	48,232	131,542	43,348	27,983	5,863	98	12,544	-	(19,027)	(120,140)	130,443	1,408	131,851

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2012
(Amounts in Hong Kong dollars)

	Note	1.January 2011 to 31 March 2012 $'000	1 January 2010 to 31 December 2010 $'000 (Note 38)
Cash flows from operating activities			
Loss before tax		(52,825)	(109,309)
Adjustments:			
Depreciation of property, plant and equipment	4	686	731
Amortisation of intangible assets	5	6,563	10,864
Fair value adjustment of investment property	6	(242)	-
Share of profit of associate	8	(1,250)	(80)
Loss on disposal of property, plant and equipment		- *	80
Impairment of:			
- intangible assets	5	-	77,100
- other investment	10	4,110	6,065
Interest expense		165	320
Interest income	26	(17)	(8)
Share based payment expense	22	7,841	-
Operating loss before working capital changes		(34,969)	(14,237)
Trade and other receivables		5,852	(12,065)
Trade and other payables		5,982	(14,099)
Cash used in operations		(23,135)	(40,401)
Interest paid		(165)	(320)
Interest income received		17	8
Net cash used in operating activities		(23,283)	(40,713)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		5	341
Proceeds from disposal of other investment		35	-
Purchase of property, plant and equipment	A	(231)	(87)
Acquisition of non-controlling interest	B	(5,000)	-
Net cash (used in) / generated from investing activities		(5,191)	254

* Amounts less than $1,000

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2012
(Amounts in Hong Kong dollars)

	Note	1 January 2011 to 31 March 2012 $'000	1 January 2010 to 31 December 2010 $'000 (Note 38)
Cash flows from financing activities			
Proceeds from issuance of new shares, net of issue costs	16	23,217	38,877
Proceeds of bank term loans		5,434	-
Repayment of lease obligations		(254)	(469)
Net cash generated from financing activities		28,397	38,408
Net decrease in cash and bank balances		(77)	(2,051)
Cash and bank balances at beginning of period / year		12,676	14,258
Effects of exchange rate changes in cash and bank balances		490	469
Cash and bank balances at end of period / year		13,089	12,676

Note A
For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment during the period / year comprised of:

	1 January 2011 to 31 March 2012 $'000	1 January 2010 to 31 December 2010 $'000
Property, plant and equipment purchased during the financial period / year	231	909
Less: Amount outstanding as finance lease obligation at the end of the financial period / year	-	(822)
Cash payment to acquire property, plant and equipment	231	87

Note B
During the financial period ended 31 March 2012, the Group acquired the remaining 25% equity interest in China RFID Limited. The cash portion of the consideration was $17,500,000 (Note 7) of which $12,500,000 was paid as a deposit in prior year and the remaining $5,000,000 was paid during the current financial period.

The accompanying notes are an integral part of the financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Armarda Group Limited (the "Company") is a limited liability company domiciled and incorporated in Bermuda and is listed on the Catalist Market of the Singapore Exchange Securities Trading Limited. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 7 to the financial statements.

The financial statements for the period 31 March 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 28 June 2012.

2. BASIS OF PREPARATION

The Group registered a net loss of $50,303,000 (2010: $110,338,000) and negative operating cash flows of $23,283,000 (2010: $40,713,000) for the financial period ended 31 March 2012. The Group is in the process of scaling down its core businesses in the IT consulting and IT support services and is undergoing a business restructuring to invest in other business opportunities.

The Group acquired Brilliant Time Limited ("BTL") and China RFID Limited ("CRL") to be the major profit generators of the Group in the previous financial years. However, BTL and CRL exhibited less than desired financial performances, contributing net profits of $1,611,000 (2010: $1,217,000) and $789,000 (2010: $Nil) respectively during the current financial period.

As a result of the above and to improve its financial performance, the Company entered into a conditional sale and purchase agreement ("SPA") with certain vendors to acquire 45% equity interest in China Satellite Mobile Communications Group Limited and its subsidiaries ("China Satellite Group") to carry on the business of operating mobile satellite telecommunication services and related sale of satellite telecommunication equipment in the PRC, at a purchase consideration of approximately $454,500,000 satisfied by loan notes and the issuance of new ordinary shares as disclosed in Note 35 to the financial statements. As at the date of this report, the final completion of the Proposed Acquisition is subject to the fulfilment of certain conditions precedent as stated in the SPA.

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the International Financial Reporting Standards ("IFRS"). The financial statements are presented in Hong Kong dollars ("$") and all values are rounded to the nearest thousand ($'000) as indicated.

(Amounts in Hong Kong dollars unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

On 1 January 2011, the Group adopted the new or amended IFRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and INT FRS. The adoption of these new or amended IFRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

IAS 24 (Revised) Related Party Disclosures

From 1 January 2011, the Group has applied the revised IAS 24 Related Party Disclosures to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. IAS 24 improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of the revised IAS 24 did not result in additional parties being identified as related to the Group. Transactions and outstanding balances, including commitments, with related parties for the current and comparative years have been disclosed accordingly in Note 32 to the financial statements.

The adoption of the revised IAS 24 affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of the revised IAS 24 has no impact on earnings per share.

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to IFRS 7 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendment to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendments to IAS 12 *Deferred Tax – Recovery of Underlying Assets*	1 January 2012
Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
IAS 19 Employee Benefits	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurements	1 January 2013
Amendment to IFRS7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface of Mine	1 January 2013
Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9 Financial Instruments	1 January 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Except for the Amendments to IAS 12, Amendments to IAS 1, IFRS 10, IFRS 12, Amendments to IFRS 7, IAS 32 and IFRS 9 the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of Amendments to IAS 1, IFRS 10, IFRS 12, Amendments to IFRS 7, IAS 32 and IFRS 9 is described below.

Amendments to IAS 1 - *Presentation of Items of Other Comprehensive Income*

The Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

IFRS 10 - *Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 is effective for financial periods beginning on or after 1 January 2013.

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

Amendment to IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*
Amendment to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*
IFRS 9 Financial Instruments

The Group is in the process of assessing their impact on future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

(a) *Subsidiaries*

(i) Basis of consolidation

From 1 January 2010
Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are the part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Prior to 1 January 2010
Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the equity holders of the Company.

(ii) Acquisition of businesses

From 1 January 2010
The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(a) *Subsidiaries (Continued)*

(ii) Acquisition of businesses (Continued)

From 1 January 2010 (Continued)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Prior to 1 January 2010
In comparison to the above-mentioned requirements, the following differences applied:
- Transactions costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests were measured at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.
- Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(iii) Disposals of subsidiaries or businesses

From 1 January 2010
The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Prior to 1 January 2010
In comparison to the above-mentioned requirements, the following differences applied:
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(b) *Transactions with non-controlling interest*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) *Associate*

Associate is an entity over which the Group exercises significant influence, but not control, over the financial and operating policy decision, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investment in an associate is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associate represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associate's post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associate are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associate have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investment in associate is derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investment in associate in which significant influence are retained are recognised in profit or loss.

Subsidiaries and associate

Investments in subsidiaries and associate are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associate, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation

Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Hong Kong dollars at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associate or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows: -

	Useful lives (Years)
Leasehold properties	Shorter of 20 years or the lease term
Leasehold improvements	Shorter of 5 years or the lease term
Motor vehicles	5
Furniture, fixtures, computer and other equipments	5

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other income (expenses)" and the asset revaluation reserve related to those asset, if any, is transferred directly to retained earnings.

Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 and on acquisition of joint ventures and associate represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses (see the accounting policy for impairment in this Note).

Goodwill on associate is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associate include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(i) Goodwill (Continued)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group if cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in this Note.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in Hong Kong dollar at the rates prevailing at the date of the acquisition.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(ii) Other intangible assets (Continued)

The estimated useful lives are as follows:

	Useful lives (Years)
Customer relationship	10 years
Exclusive distributorship rights	2 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted as appropriate.

Other assets

Other assets represent transferable life memberships of golf club which is stated at cost less impairment losses.

Investment property

Investment property is a property that is owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment property is initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment property is measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment property is included in the profit or loss in the period in which they arise.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss on the retirement or disposal of an investment property is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in profit or loss in the period of retirement or disposal within "Other income (expenses)".

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment (set out in this Note) up to the date of change in use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth years.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss.

Financial assets

Initial recognition and measurement
Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets classified as held-to-maturity, directly attributable transaction costs.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every balance sheet date. As at balance sheet date, the Group did not have any financial assets at fair value through profit or loss and held-to-maturity investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Subsequent measurement
The subsequent measurement of financial assets depends on the classification, as follows:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the above categories of financial asset. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Derecognition
Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost (Continued)

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset. To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Considerations to determine whether there is objective evidence that the available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as the financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the balance sheet date, the Group did not have any financial liabilities in the category of financial liabilities at fair value through profit or loss.

Subsequent measurement
Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2006, the date of inception is deemed to be 1 January 2006 in accordance with the transitional requirements of IFRIC 4.

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) As lessee

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) As lessee (Continued)

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.

Borrowing costs

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Share capital

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the provision of services is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is determined by reference to the services performed to date as a percentage of total service to be performed. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

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

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable. Rental income arising from operating leases on investment property is recognised on a straight-line basis over the lease terms. The aggregate costs of incentives provided to the lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Hong Kong
The subsidiaries, incorporated and operating in Hong Kong are required to contribute to the mandatory provident fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and are charged to the profit or loss in the period / year in which they fall due.

People's Republic of China ("PRC")
The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, on the date of grant. Non-market vesting conditions are included in the estimation of the number of options under options that are expected to become exercisable on vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date. It recognises the impact of the revision of the original estimates, if any, in the profit or loss, and a corresponding adjustment to the share option reserve over the remaining vesting period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The share option reserve is transferred to retained earnings upon expiry of the share options.

When the options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued, or to the treasury shares account when treasury shares are re-issued to the employees.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the balance sheet date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:
(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (a);
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates, assumptions and judgement

Estimates and assumptions judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying amount of the non-financial assets and further details of the key assumptions applied in the impairment assessment of intangible assets (including goodwill) and other investment are disclosed in Note 5 and Note 10 to the financial statements respectively.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of the Group's loan and receivables at the balance sheet date and the relevant basis of management's estimates are disclosed in Notes 11 and 36(c) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgement (Continued)

i. Critical accounting estimates and assumptions (Continued)

(c) Income tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has not recognised any additional tax liability on these uncertain tax positions. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred tax liabilities as at 31 March 2012 are disclosed in Note 15.

The Group has unrecognised tax losses carried forward amounting $76,695,000 (2010: $54,462,000) out of which $7,085,000, $4,993,000 and $10,541,000 that relates to a subsidiary in PRC will expire in 2014, 2015 and 2016 respectively. Tax losses relating to certain subsidiaries in Singapore and Hong Kong with a history of losses that do not expire may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, profit for the period would increase by $14,650,000 (2010: $10,086,000) (Note 15).

ii. Critical judgements in applying the entity's accounting policies

The following is the judgement made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Impairment of available-for-sale financial asset

Management reviews its available-for-sale financial asset for objective evidence of impairment at least annually. The Group records impairment charges on available-for-sale financial asset when there has been a significant or prolonged decline in the fair value below the carrying amount. The Group has made judgement that this decline is significant and prolonged. In making this judgement, the Group evaluates, among other factors, the duration of the decline, the magnitude by which the fair value of the investment is less than its cost, the financial health and market conditions affecting the future advertising revenue streams of the counterparty. For the financial period ended 31 March 2012, the amount of impairment loss recognised for available-for-sale financial asset was $4,110,000 (2010: $6,065,000). The carrying amount of the Group's available-for-sale financial assets at the balance sheet date is disclosed in Note 10 to the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties $'000	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures, computer and other equipments $'000	Total $'000
Cost					
As at 1 January 2010	9,530	2,760	1,195	13,618	27,103
Additions	-	10	881	18	909
Disposals	-	-	(493)	(59)	(552)
Currency translation differences	332	86	21	323	762
As at 31 December 2010	9,862	2,856	1,604	13,900	28,222
As at 1 January 2011	9,862	2,856	1,604	13,900	28,222
Additions	-	-	-	231	231
Disposals	-	-	-	(19)	(19)
Transfer to investment property (Note 6)	(4,937)	-	-	-	(4,937)
Currency translation differences	353	112	27	424	916
As at 31 March 2012	5,278	2,968	1,631	14,536	24,413
Accumulated depreciation and impairment loss					
As at 1 January 2010	2,653	2,758	579	13,313	19,303
Charge for the year	449	6	218	58	731
Disposal	-	-	(83)	(48)	(131)
Currency translation differences	100	85	17	319	521
As at 31 December 2010	3,202	2,849	731	13,642	20,424
As at 1 January 2011	3,202	2,849	731	13,642	20,424
Charge for the period	301	7	270	108	686
Disposal	-	-	-	(14)	(14)
Transfer to investment property (Note 6)	(1,603)	-	-	-	(1,603)
Currency translation differences	119	112	24	415	670
As at 31 March 2012	2,019	2,968	1,025	14,151	20,163
Net carrying amount					
As at 31 March 2012	3,259	-	606	385	4,250
As at 31 December 2010	6,660	7	873	258	7,798
As at 1 January 2010	6,877	2	616	305	7,800

Assets held under finance leases

The carrying amount of motor vehicles held under finance lease at the balance sheet date was $539,000 (2010: $786,000).

5. INTANGIBLE ASSETS

Group	Goodwill	Customer relationship	Exclusive distributorship rights	Total
	$'000	$'000	$'000	$'000
Cost				
As at 1 January 2010 / 31 December 2010 and 31 March 2012	61,009	40,859	98,293	200,161
Accumulated amortisation and impairment losses				
As at 1 January 2010	(8,973)	(8,172)	(84,211)	(101,356)
Charge for the year	-	(2,415)	(8,449)	(10,864)
Impairment loss	(52,036)	(25,064)	-	(77,100)
As at 31 December 2010	(61,009)	(35,651)	(92,660)	(189,320)
As at 1 January 2011	(61,009)	(35,651)	(92,660)	(189,320)
Charge for the period	-	(930)	(5,633)	(6,563)
As at 31 March 2012	(61,009)	(36,581)	(98,293)	(195,883)
Net carrying amount				
As at 31 March 2012	-	4,278	-	4,278
As at 31 December 2010	-	5,208	5,633	10,841
As at 1 January 2010	52,036	32,687	14,082	98,805

(a) Impairment tests for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group (cash-generated units, "CGUs") at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 34. The goodwill allocated to the provision of IT services segment and the trading of IT equipment segment were $45,264,000 and $15,745,000 respectively.

The recoverable amounts of the two CGUs were determined based on their value in use by applying the discounted cash flow model to each of the two CGUs. Goodwill was fully impaired as at 31 December 2010.

(b) Customer relationship

Customer relationship represents the value of the customer base identified when Brilliant Time Limited ("BTL") was acquired in 2008. The customer relationship was included in the two CGUs where the recoverable amounts of the CGUs were estimated based on their value in use assuming customer retention rate of 80% (2010: 80%) and using a discount rate of 15% (2010: 15%), with an assumption that there will be stable income from the existing customers.

In the previous financial year, the carrying amounts of the CGUs were determined to be higher than their recoverable amount. After allocation of the impairment loss to the goodwill, the remaining impairment loss was allocated to customer relationship, of which $18,548,000 and $6,516,000 was related to the provision of IT services segment and the trading of IT equipment segment respectively. The useful life of customer relationship is estimated to be finite and is amortised over a period of 10 years, effective from January 2008.

5. INTANGIBLE ASSETS (Continued)

(c) Exclusive distributorship rights

The exclusive distributorship rights represents the value of the rights identified when CRL was acquired in 2009 which relates to the right to trade radio frequency identification chip ("RFID chips") in the PRC. CRL is in the chain of the distribution of RFID chips in the PRC. CRL entered into an agreement for a 3-year exclusive distributorship rights to sell RFID chips to its sole customer ("Sole Customer") from 8 September 2009. The Sole Customer has, on the other hand, entered into an agreement with the ultimate customer - a PRC government authority ("Ultimate Customer"), for a 2-year exclusive distributorship rights on chips procurement for the e-passport and other e-travel documents.

As the agreement signed between the Sole Customer and the Ultimate Customer was for a 2-year period with expiry date on September 2011, during the financial year 2010, management re-assessed the recoverability of the exclusive distributorship rights by discounting the cash flow projections for the 2-year period. The remaining recoverable amount was amortised over 2 years, in accordance with the terms of the agreement signed with the Ultimate Customer. The Group recognised an amortisation expense of $5,633,000 (2010: $8,449,000) for the financial period ended 31 March 2012.

As at the date of the report, the renewal of such agreement has yet to be completed.

6. INVESTMENT PROPERTY

	Group 31 March 2012 $'000
Balance sheet:	
At beginning of period	-
Transfer from property, plant and equipment at net book value (Note 4)	3,334
Gains from fair value adjustments recognised in:	
- Revaluation reserve on initial transfer from property, plant and equipment (Note 21)	2,101
- Profit or loss (Note 26)	242
Currency translation differences	88
At end of period	5,765
Consolidated statement of comprehensive income	
Rental income from investment property (Note 26)	308
Direct operating expenses (including repairs and maintenance) arising from:	
- Non-rental generating property	217

Valuation of investment property

Investment property is stated at fair value, which has been determined based on valuation at the balance sheet date. Valuation is performed by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuation is based on a direct comparison approach that makes reference to estimated market rental vales and equivalent yields.

Property pledged as security

The investment property is pledged to a bank to secure a bank loan granted to the Group's subsidiary (Note 13).

Transfer from property, plant and equipment

On 1 January 2011, the Group transferred an office floor held as an owner-occupied property to investment property.

6. INVESTMENT PROPERTY (Continued)

The investment property held by the Group as at 31 March 2012 is as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Level 18, No. 1346 Jiu Zhou Road East, Xiang Zhou District, Zhuhai City, Guangdong Province, the People's Republic of China	Offices	Leasehold	34 years

7. SUBSIDIARIES

	Company	
	31 March 2012	31 December 2010
	$'000	$'000
Unquoted equity shares, at cost	67,633	67,633
Impairment loss	(67,633)	(67,633)
	-	-

Name of companies	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
			31 March 2012	31 December 2010
			%	%
Held by the Company				
Armarda Holdings Limited (i)	Investment holding	BVI, Hong Kong	100	100
Held by Armarda Holdings Limited				
Armarda Technology Services Limited (i)	Provision of IT consulting and IT support services	BVI, Hong Kong	100	100
Armarda International Inc (i)	Investment holding	BVI, Hong Kong	100	100
Armarda eAccess Technology Limited (i)	Investment holding	BVI, Hong Kong	100	100
Armarda Technology Singapore Pte Ltd (ii)	Liaison office	Singapore	100	100
Brilliant Time Limited ("BTL") (i)	Provision of IT consulting and IT support services	BVI, Hong Kong	100	100
China RFID Limited ("CRL") (i)	Trading of RFID chips	BVI, Hong Kong	100	75

(Amounts in Hong Kong dollars unless otherwise stated)

7. SUBSIDIARIES (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 31 March 2012 %	31 December 2010 %
Held by Armarda Technology Services Limited				
Armarda Technology (Zhuhai) Limited ("ATZH") (iii)	Provision of IT consulting and IT support services	PRC	100	100
Armarda Technology (Hong Kong) Limited ("ATHK") (iv)	Provision of IT consulting and IT support services	Hong Kong	100	100

(i) Not required to be audited under the laws of the British Virgin Islands ("BVI"), their country of incorporation. Reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.
(ii) Audited by Crowe Horwath First Trust LLP.
(iii) Audited by Zhuhai Huaqi Certified Public Accountants and reviewed by Crowe Horwath First Trust LLP for purpose of expressing an opinion on the consolidated financial statements.
(iv) Audited by Crowe Horwath (Hong Kong) CPA Limited.

(a) Impairment testing of investments in subsidiaries

Certain subsidiaries continue to sustain losses during the financial period. The Company performed an assessment of the recoverable amount of investments in subsidiaries, based on the present value of the estimated future cash flows generated by the subsidiaries. Based on this assessment, the carrying amount of the investments in subsidiaries was fully impaired and written down by $67,633,000 (2010: $67,633,000), with an impairment loss of nil (2010: $24,087,000) recognised in the profit or loss for the financial period.

(b) Acquisition of non-controlling interest

On 13 December 2010, the Group entered into a sale and purchase agreement to acquire the remaining 25% equity interest in CRL from its non-controlling shareholder for a total consideration of $25,000,000, satisfied by cash consideration of $17,500,000 and the issuance of 50,000,000 new shares by the Company at an issue price of $0.15 (or approximately S$0.025) per share ("Consideration Shares"). The acquisition was approved by the shareholders of the Company in a Special General Meeting convened on 18 June 2011, and the transaction was completed on 22 June 2011 with the allotment of 50,000,000 Consideration Shares on the same date. Upon the acquisition, CRL became a wholly-owned subsidiary of the Group. At the acquisition date, the carrying amount of the non-controlling interests at the acquisition date, measured at the non-controlling interests' proportionate share of CRL's net identifiable assets, was $493,000. The fair value of the consideration, which included the Consideration Shares measured at the quoted price of the Company's shares on the acquisition date of $0.27 (approximately S$0.045) per share, amounted to $30,932,000. The difference between the fair value of the consideration and the carrying amount of the non-controlling interests amounting to $30,439,000 has been recognised as "Other reserve" within equity.

7. SUBSIDIARIES (Continued)

The following summarises the effect of the changes in the Group's ownership interest in CRL on the equity attributable to owners of the parent:

	$'000
Consideration paid for acquisition of non-controlling interest:	
- Cash consideration	17,500
- Issuance of 50,000,000 shares (Note 16)	13,432
	30,932
Decrease in equity attributable to non-controlling interest	(493)
Premium on acquisition recognised in other reserve (Note 23)	30,439

8. ASSOCIATE

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
Balance at beginning of period / year	25,253	24,424
Share of profit	1,250	80
Share of translation reserve	993	749
Balance at end of period / year	27,496	25,253
Representing:		
Goodwill	2,923	2,923
Share of net assets	24,573	22,330
	27,496	25,253

Details of the Group's associate as at 31 March 2012 are as follows:

	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%)	
			31 March 2012	31 December 2010
			%	%
Fesco E-HR Service (Beijing) Co., Ltd*	Provision of IT consulting, IT support services, technical trainings and human resources services	PRC	45	45

* Audited by Beijing Chi Chuan Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants, and reviewed by Crowe Horwath First Trust LLP for purpose of expressing an opinion on the consolidated financial statements.

8. ASSOCIATE (continued)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	31 March 2012	31 December 2010
	$'000	$'000
Revenue	57,733	65,327
Net profit for the period / year	2,778	177
Assets [(1)]	69,115	58,156
Liabilities	14,507	18,527

(1) Included in the associate's balance sheet is an interest-free advance to a third party ("Borrower"), amounting to $18,827,000. The Board of Directors, having evaluated the Group's effective credit exposure of $8,472,000, taking into account, inter-alia, the credibility, financial standing and commitment to the repayment of monies of the Borrower, is of the view that there is no impairment on the investment in the associate.

9. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	31 March 2012	31 December 2010
	$'000	$'000
Amounts due from subsidiaries	236,508	215,408
Less: Impairment loss	(176,022)	(84,266)
	60,486	131,142

The amounts due from subsidiaries are non-trade, unsecured with no fixed terms of repayment. The Company expects that these amounts will not be repaid within one year. All balances due from subsidiaries are interest-free, except for certain balances amounting to $176,022,000 (2010: $154,847,000) which are interest-bearing at 5% (2010: 5%) per annum. During the financial period, management waived the 5% interest charged for subsidiaries that sustained losses during the financial period.

Certain subsidiaries remained dormant and continue to sustain losses during the financial period since prior years. An impairment loss amounting to $91,756,000 (2010: $84,266,000) was recognised in the profit and loss for the financial period to fully impair the balances where it is not probable that the balances due from these subsidiaries will be recoverable.

10. OTHER INVESTMENT

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
Available-for-sale financial asset, at cost	12,728	12,728
Disposal of available-for-sale financial asset	(35)	-
Currency translation difference	319	91
Less: Impairment loss	(10,175)	(6,065)
	2,837	6,754

Available-for-sale financial asset as at 31 March 2012 represents the Group's authorisation to use a software system amounting to $2,612,000 (2010: $2,612,000) and capital advances to a third party amounting to $10,081,000 (2010: $10,116,000). In return for the capital advances made to and software provided to the third party for use, the Group is entitled to share 28% (2010: 25%) of the advertising revenue of the third party for 15 years, commencing from 2010. During the current financial period, the Group recognised the share of advertising revenue (Note 26), amounting to $573,000 (2010: $494,000).

The fair value of the available-for-sale financial asset was determined by applying the discounted cash flow model, based on a 15-year projection of the cash flows expected to receive, on the assumption that the future advertising revenue will remain constant as the actual amount generated by the third party in 2011, and applying a discount rate of 16% (2010: 16%). An impairment loss of $4,110,000 (2010: $6,065,000) was recognised in the profit or loss for the financial period.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 March 2012	31 December 2010	31 March 2012	31 December 2010
	$'000	$'000	$'000	$'000
Trade receivables	8,052	14,848	-	-
Refundable deposits (i)	-	36,005	-	-
Short-term advances (ii)	57,375	25,267	-	-
Other receivables	4,299	6,143	-	30
Prepayments	294	213	211	103
Deposits	341	350	-	-
	70,361	82,826	211	133
Less: Allowance for impairment loss	(3,541)	-	-	-
	66,820	82,826	211	133

During the financial period, the Group made an allowance for impairment loss of $3,487,000 (2010: $Nil) for other receivables.

(i) On 13 December 2010, the Group entered into a sale and purchase agreement to acquire the remaining 25% equity interest in CRL from the non-controlling shareholder. As at 31 December 2010, a refundable deposit of $12,500,000 was paid by the Group to the non-controlling shareholder. The acquisition was completed as at on 22 June 2011 and CRL became a wholly-owned subsidiary of the Group (Note 7).

As at 31 December 2010, the Group entered into a non-binding conditional letter of intent to acquire a company and $23,505,000 was paid by the Group to the vendor as a refundable deposit. The Group subsequently entered into an agreement with the vendor on 18 January 2011 for the termination of the proposed acquisition and the deposit was refunded to the Group.

(ii) As at 31 March 2012, the Group's subsidiary in the PRC entered into 4 agreements to extend various interest-free advances to certain business partners ("Borrowers") amounting to $57,375,000. Subsequent to year-end, the Group received repayments amounting to $15,993,000 with the remaining balance to be repaid in full, in accordance with the repayment schedules, by 31 December 2012. The Board of Directors, having evaluated the Group's exposure to the Borrowers, taking into account, *inter-alia*, the credibility and financial standing of these Borrowers, including their commitment and ability with respect to the repayment of monies due under the respective repayment schedules, is of the view that there is no impairment on the carrying amounts of these advances.

Subsequent to 31 March 2012 till the date of this report, the Group received repayments, thereby reducing the net credit exposure from these Borrowers to $41,382,000. The Board of Directors, having evaluated the Group's exposure to the Borrowers, taking into account, *inter-alia*, the credibility and financial standing of these Borrowers and their commitment to the repayment of monies due under the respective repayment schedules, is of the view that there is no impairment on the carrying amounts of these advances.

As at 31 December 2010, the Group made short term advances of $25,267,000 to a private-owned company in PRC, and the amount was fully repaid subsequently.

12. TRADE AND OTHER PAYABLES

	Group		Company	
	31 March 2012	31 December 2010	31 March 2012	31 December 2010
	$'000	$'000	$'000	$'000
Trade payables	3,189	4,603	-	-
Other payables	5,691	3,443	2,520	323
Accrued operating expenses	2,206	2,914	488	513
Deposits [(i)]	4,843	59	-	-
Receipts in advance	1,472	-	-	-
	17,401	11,019	3,008	836

(i) Included in deposits is an amount received from certain individual investors amounting to $4,800,000 (2010: $Nil) relating to the Company's issuance of 166,000,000 placement shares subsequent to year-end (Note 35).

13. BORROWING

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
Secured term loan	5,519	-

The term loan of the Group is secured by way of legal pledge on the leasehold investment property (Note 6). This loan is repayable in equal instalments commencing on 9 January 2012 over 12 months and interest is payable at 12% per annum.

14. LEASE OBLIGATIONS

Group	Minimum lease payments	Interest	Present value of payments
	$'000	$'000	$'000
31 March 2012			
Current portion:			
- Not later than 1 year	492	56	436
31 December 2010			
Non-current portion:			
- Later than 1 year and not later than 5 years	550	63	487
Current portion:			
- Not later than 1 year	230	27	203
	780	90	690

The Group leases motor vehicles under finance leases. Lease terms range from 4 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The obligations under finance leases are effectively secured as the rights to the leased motor vehicles revert to the lessor in the event of default by the Group. The weighted average effective interest rate of lease obligations ranges from 2.5% to 3.5% (2010: 2.5% to 3.5%) per annum.

15. DEFERRED TAX LIABILITIES

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
At beginning of period / year	3,072	1,956
Recognised in the:		
- profit or loss (Note 30)	(2,522)	1,029
- equity (Note 21)	638	-
Currency translation difference	103	87
At end of period / year	1,291	3,072

15. DEFERRED TAX LIABILITIES (continued)

The components and movement of deferred tax liabilities during the financial period / year are as follows:

Deferred tax liabilities of the Group	Tax over book depreciation	Trade receivables	Accrued expense	Asset revaluation of investment property	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
31 March 2012						
At beginning of period	-	2,896	-	-	176	3,072
Recognised in the:						
- profit or loss	-	(2,561)	-	-	39	(2,522)
- equity	-	-	-	638	-	638
Currency translation difference	-	86	-	10	7	103
At end of period	-	421	-	648	222	1,291
31 December 2010						
At beginning of year	(1,265)	3,389	(550)	-	382	1,956
Recognised in the:						
- profit or loss	1,265	(600)	575	-	(211)	1,029
Currency translation difference	-	107	(25)	-	5	87
At end of year	-	2,896	-	-	176	3,072

The Group has unused tax losses of $76,695,000 (2010: $54,462,000) out of which $7,085,000, $4,993,000 and $10,541,000 that relates to a subsidiary in PRC will expire in 2014, 2015 and 2016 respectively. No deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

16. SHARE CAPITAL

	Group and Company			
	31 March 2012		31 December 2010	
	Number of ordinary shares	$'000	Number of ordinary shares	$'000
At beginning of the period / year	964,640,474	48,232	511,307,140	102,261
Issued for cash [i]	114,000,000	5,700	453,333,334	30,667
Issued for acquisition of non-controlling interest [ii]	50,000,000	2,500	-	-
Capital reorganisation [iii]	-	-	-	(84,696)
At end of the period / year	1,128,640,474	56,432	964,640,474	48,232

(i) On 27 January 2011, the Company issued 114,000,000 placement shares at an issue price of S$0.036 (equivalent to HK$0.22) for each placement share to 9 individual investors to finance the Group's investments and for general corporate and working capital purposes. The net proceeds from the shares issued amounted to $23,217,000, net of issue costs of $1,318,000. The newly issued shares rank pari passu in all respects with previously issued shares.

(ii) On 22 June 2011, the Company issued 50,000,000 consideration shares to the non-controlling shareholder of CRL, as part of the consideration for the acquisition of the remaining 25% equity interest in CRL, amounting to $13,432,000 (Note 7).

(iii) By a special resolution passed on 30 April 2010, the authorised share capital of the Company was changed from 900,000,000 shares at par value of $0.20 each to 3,600,000,000 shares at par value of $0.05 each. The issued and paid up share capital of the Company was reduced from $112,928,000 (564,640,474 shares at par value of $0.20 each) to $28,232,000 (564,640,474 shares at par value of $0.05 each). As a result of the capital reduction, the difference of $84,696,000 arising from the capital reorganisation was credited to the contributed surplus account of which $41,348,000 was utilised in prior year to net off against the accumulated losses of the Company (Note 18).

Share options

Share options were granted to management and key employees under the Armarda Employee Share Option Scheme established on 12 April 2004 (the "Scheme").

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the key management or employee completing another one to two years of service to the Group.

Once the options have vested, they are exercisable for a contractual option term of 4 or 5 years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 2 November 2007, options to subscribe for 25,000,000 ordinary shares of the Company at an exercise price of S$0.213 per ordinary share were granted pursuant to the Scheme ("Options"). Total fair value of the options granted was S$2,471,000 (equivalent to $13,230,000). The Options are exercisable from 2 November 2008 or 2 November 2009 and expire on 2 November 2012.

16. SHARE CAPITAL (Continued)

Share options (Continued)

Group and Company	Number of ordinary shares under option						
	Beginning of the financial period / year	Granted during the financial period / year	Lapsed during the financial period / year	Exercised during the financial period / year	End of the financial period / year	Exercise price	Exercise period
	'000	'000	'000	'000	'000		
31 March 2012							
	11,850	-	(200)	-	11,650	S$0.213	2 November 2008 to 2 November 2012
	11,850	-	(200)	-	11,650	S$0.213	2 November 2009 to 2 November 2012
	23,700	-	(400)	-	23,300		
31 December 2010							
	11,850	-	-	-	11,850	S$0.213	2 November 2008 to 2 November 2012
	11,850	-	-	-	11,850	S$0.213	2 November 2009 to 2 November 2012
	23,700	-	-	-	23,700		

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

Fair value of options and assumptions

Fair value at grant date	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 historical three years average share price volatility.

During the financial period, 400,000 (2010: Nil) of the share options lapsed due to resignation of the option holder and no shares of the Company were allotted and issued by virtue of the exercise of options to take up unissued shares of the Company.

17. SHARE PREMIUM

	Group and Company	
	31 March 2012	31 December 2010
	$'000	$'000
At beginning of the period / year	131,542	108,612
Issuance of new ordinary share:		
- for cash	18,835	18,877
- for acquisition of non-controlling interest in CRL (Note 7)	10,932	-
Reserves for shares to be issued	-	4,053
Less: Share issue cost	(1,318)	-
At end of the period / year	159,991	131,542

18. CONTRIBUTED SURPLUS

	Group and Company	
	31 March 2012	31 December 2010
	$'000	$'000
At beginning of the period / year	43,348	-
Capital reorganisation (Note 16 (iii))	-	84,696
Accumulated losses written off (Note 24)	-	(41,348)
At end of the period / year	43,348	43,348

19. TRANSLATION RESERVE

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
At the beginning of the period / year	27,983	24,980
Net currency translation difference of financial statements of foreign subsidiaries	2,830	2,254
Share of translation reserve of an associate	993	749
At the end of the period / year	31,806	27,983

20. STATUTORY RESERVE

In accordance with the Foreign Enterprise Law of the PRC, the subsidiary, being a wholly foreign-owned enterprise (WFOE) is required to make contributions to a statutory reserve fund. At least 10 per cent of the statutory after-tax profits as determined in accordance with the applicable PRC accounting standards and regulations is required to be allocated to the reserve fund. If the cumulative total of the statutory reserve fund reaches 50% of the subsidiary's registered capital, the enterprise will not be required to make any additional contribution.

The reserve fund may be used to offset accumulated losses or increase the registered capital of the Company, subject to approval from the relevant PRC authorities and is not available for dividend distribution to the shareholders. The PRC enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

These non-distributable reserves represent amounts set aside in compliance with the local laws in the PRC where the subsidiary operates. The subsidiary is considered a foreign investment enterprise and the percentage of appropriation from the net profit for the year to the various reserve funds are determined by the Board of Directors of the subsidiary.

21. REVALUATION RESERVE

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
At beginning of the period / year	98	98
Revaluation gains on property, plant and equipment upon transfer as investment property at fair value (Note 6)	2,101	-
Less: deferred tax recognised in other comprehensive income (Note 15 and Note 30(b))	(638)	-
At end of the period / year	1,561	98

22. SHARE-BASED CAPITAL RESERVE

	Group and Company	
	31 March 2012	31 December 2010
	$'000	$'000
At beginning of the period / year	12,544	12,544
Employee share option scheme		
- Transfer to accumulated losses for lapsed options (Note 24)	(211)	-
Professional fees shares [i]	7,841	-
At end of the period / year	20,174	12,544

[i] On 23 March 2011, the Company entered into an agreement with its financial advisor in relation to the acquisition of 45% interest in China Satellite Mobile Communications Group Limited (Note 35) to issue 3% of the purchase consideration of the proposed acquisition as professional fees. The equity settled share-based payment amounting to $7,841,000 (35,000,000 shares at a fair value of S$0.037 at grant date) is the first tranche of professional fees, as stipulated in the agreement and approved by the Shareholders on 21 December 2011, which is also the grant date.

23. OTHER RESERVE

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
At beginning of the period / year	(19,027)	(19,027)
Premium on acquisition of non-controlling interest in CRL (Note 7)	(30,439)	-
At end of the period / year	(49,466)	(19,027)

Other reserve arises from the acquisition of non-controlling interest of CRL completed on 22 June 2011 (Note 7) and BTL on 8 January 2009. The Group recognised any premiums or discounts on purchase of equity instruments from non-controlling interest subsequent to obtaining control.

24. ACCUMULATED LOSSES

	Group		Company	
	31 March 2012 $'000	31 December 2010 $'000	31 March 2012 $'000	31 December 2010 $'000
At beginning of the period / year	(120,140)	(53,262)	(105,223)	(41,348)
Loss for the period / year	(49,388)	(108,226)	(117,240)	(105,223)
Transfer from contributed surplus (Note 18)	-	41,348	-	41,348
Employee share option lapsed during the period (Note 22)	211	-	211	-
At end of the period / year	(169,317)	(120,140)	(222,252)	(105,223)

25. REVENUE

	Group	
	1 January 2011 to 31 March 2012 $'000	1 January 2010 to 31 December 2010 $'000
Sale of equipment and electronic chips	25,271	11,090
Revenue from services	22,913	9,401
	48,184	20,491

26. OTHER INCOME

	Group	
	1 January 2011 to 31 March 2012 $'000	1 January 2010 to 31 December 2010 $'000
Foreign exchange gain, net	25	91
Gain on fair value adjustment of investment property (Note 6)	242	-
Interest income	17	8
Gain on disposal of property, plant and equipment	- *	-
Rental income from investment property (Note 6)	308	61
Share of advertising revenue (Note 10)	573	494
Others	1	-
	1,166	654

* Amounts less than $1,000.

27. PERSONNEL EXPENSES

	Group	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
	$'000	$'000
Salaries and allowances	8,209	6,915
Contributions to defined contribution retirement plans	602	472
Other welfare and benefits	317	249
	9,128	7,636

Personnel expenses include directors' remuneration as disclosed in Note 29 and Note 32.

28. OTHER EXPENSES

	Group	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
	$'000	$'000
Entertainment	3,743	2,186
Professional fees		
- paid / payable by cash	16,010	4,391
- equity-settled share based payment (Note 22)	7,841	-
Operating lease expenses	1,453	1,617
Travelling expenses	6,028	2,763
Others	3,330	1,482
	38,405	12,439

29. LOSS BEFORE TAX

This is determined after charging the following:

	Group	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
	$'000	$'000
Directors' remuneration		
- directors of the Company	2,344	1,880
- directors of subsidiaries	1,663	1,329
Directors' fees		
- directors of the Company	827	609
Audit fees		
- auditors of the Company	657	1,444
- other auditors	550	-
Non-audit fees		
- auditors of the Company	22	76
- other auditors	20	29

30. INCOME TAX

(a) Major components of income tax income / (expense) for the period / year ended were:

	Group	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
	$'000	$'000
Deferred tax (Note 15)		
- current period / year	(39)	-
- over / (under) provision in prior years	2,561	(1,029)
	2,522	(1,029)

30. INCOME TAX (Continued)

(b) Income tax recognised in other comprehensive income:

	Group					
	1 January 2011 to 31 March 2012			1 January 2010 to 31 December 2010		
	Before-tax amount	Tax expense	Net-of-tax	Before-tax amount	Tax expense	Net-of-tax
	$'000	$'000	$'000	$'000	$'000	$'000
	(Note 6)	(Note 15)				
Revaluation of investment property upon transfer from property, plant and equipment	2,101	(638)	1,463	-	-	-

The reconciliation of the tax (income) / expense and the product of accounting loss multiplied by the applicable rate is as follows:

	Group	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
	$'000	$'000
Accounting loss	(52,825)	(109,309)
Tax at the applicable tax rate of 16.5% (2010: 16.5%)	(8,716)	(18,036)
Tax effect of		
- different tax rates in other countries	(1,155)	(655)
- expenses not deducted for tax purposes	1,472	14,499
- unutilised tax losses not recognised	3,668	2,626
- losses incurred in tax free jurisdiction	5,372	2,369
- income generated in tax free jurisdiction	(396)	(790)
- share of profit of associate	(206)	(13)
- reversal of deferred tax assets provided in prior years	-	1,029
- overprovision of deferred tax in prior years	(2,561)	-
Tax (income) / expense	(2,522)	1,029

The Company was incorporated under the laws of Bermuda and has received an undertaking from the Ministry of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966, which exempts the Company and its shareholders, other than shareholders ordinarily residing in Bermuda, from any Bermuda taxes computed on profit, income or any capital asset gain or appreciation, or any tax in the nature of estate duty or inheritance tax, at least until year 2016.

Hong Kong
The Group's profits derived in Hong Kong are subject to Hong Kong statutory tax at 16.5% (2010: 16.5%). No tax provision for Hong Kong profits was made, as there was no assessable profit derived in Hong Kong for the period / year.

30. INCOME TAX (Continued)

PRC

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. Pursuant to the notice on the Implementation Rules of the Grandfather Relief under the new tax law, Guofa (2007) No. 39, issued on 26 December 2007 by the State Council, the income tax rate applicable to the subsidiary of the Company in the PRC which had enjoyed preferential tax rates before 1 January 2008 will be gradually increased from the preferential income tax rates to 25% over a five-year transition period commencing from 1 January 2008. The applicable income tax rate is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively. ATZH was subject to PRC income tax rate of 25% and 24% for 2011 and 2010 respectively.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax is levied on dividends declared to foreign investors from a PRC entity effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. Since ATZH is wholly owned by ATHK, a Hong Kong registered company, the applicable withholding tax rate is 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. ATZH has been recording accumulated losses for financial year ended 31 December 2008 onwards and there are no deferred withholding tax as at 31 March 2012 (2010: $Nil).

Singapore

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 current and preceding years.

BVI

Subsidiaries incorporated under the laws of BVI are exempted from income tax.

31. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period / year including the bonus element inherent in the placement shares issued (Note 16) and the professional fees shares (Note 22):

	Group	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
Net loss attributable to equity holders of the Company ($'000)	(49,388)	(108,226)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	1,099,863	673,499
Basic loss per share (cents)	(4.49)	(16.07)

31. LOSS PER SHARE (Continued)

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has 2 types of dilutive potential ordinary shares: share options and professional fees shares (Note 22) (2010: Share options).

Share options have not been included in the calculation of diluted earnings per share because they are anti-dilutive for current and previous financial years. There is no dilutive effect arising from share options as the exercise prices of the share options was higher than the Company's average share price during the financial period ended 31 March 2012 and financial year ended 31 December 2010.

The professional fees shares issuable as disclosed in Note 22 has been included in the calculation of weighted average number of shares for diluted loss per share from the date of the agreement entered with the financial advisors.

The calculations of diluted loss per share are based on the adjusted loss and numbers of shares shown below.

	Group	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
Net loss attributable to equity holders of the Company ($'000)	(49,388)	(108,226)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	1,099,963	673,499
Potential ordinary shares issuable as professional fees	20,954	-
	1,120,917	673,499
Diluted loss per share (cents)	(4.41)	(16.07)

32. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 3 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below.

	Group	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
	$'000	$'000
Key management personnel compensation		
Directors of the Company		
- Salary and related costs	2,266	1,818
- Pension contributions	78	62
- Director's fee	827	609
Directors of subsidiaries		
- Salary and related costs	1,555	1,243
- Pension contributions	108	86
Other key management personnel		
- Salary and related costs	770	606
- Pension contributions	69	55

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. All directors and certain managers are considered key management personnel.

33. OPERATING LEASE COMMITMENTS

The Group leases certain buildings under non-cancellable operating lease agreements. The future aggregate minimum leases payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	31 March 2012 $'000	31 December 2010 $'000
Not later than one year	479	788
Later than one year and not later than five years	-	18
	479	806

The leases on the subsidiaries' office premises on which rentals are payable will expire between 30 April 2012 to 1 October 2012 (2010: 1 October 2011 to 30 September 2012). The current rent payable on the leases ranges from $720 to $78,000 (2010: $2,100 to $63,564) per month.

34. SEGMENT INFORMATION

The Group has 2 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO (the chief operating decision maker) reviews internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1: Provision of IT services : Provision of IT consultancy services
- Segment 2: Trading of IT equipment : Trading of IT equipment and RFID chips

Other business operations includes investment holding and is categorised as "All other segment".

Information regarding the results of each reportable segment is included below. Performance is measured based on segment results as included in the internal management reports that are reviewed by the Group's CEO.

All other segments' items comprise revenue mainly generated from rental income, gain on fair valuation of investment property (Note 6) and advertising revenue (Note 10) and expenses comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

34. SEGMENT INFORMATION (Continued)

Business segments

1 January 2011 to 31 March 2012	Provision of IT services	Trading of IT equipment	All other segments	Total Group
	$'000	$'000	$'000	$'000
Revenue (including other income)	22,913	25,271	1,166	49,350
Segment loss	(5,867)	(23,083)	(24,960)	(53,910)
Share of profit of associate	-	1,250	-	1,250
Finance costs				(165)
Loss before tax				(52,825)
Income tax				2,522
Loss for the period				(50,303)
Segment assets	28,601	92,337	4,570	125,508
Segment liabilities	2,520	12,167	3,150	17,837
Unallocated liabilities				
- Income tax payable				469
- Borrowing, secured				5,519
- Deferred tax liabilities				1,291
				7,279
Consolidated total liabilities				25,116
Other segment items				
Investment in associate	-	27,496	-	27,496
Capital expenditure	49	182	-	231
Depreciation of property, plant and equipment	152	534	-	686
Amortisation of intangible assets	750	5,813	-	6,563
Impairment loss	1,551	6,046	-	7,597
Equity-settled share based payment	-	-	7,841	7,841
Gain on fair value adjustment of investment property	-	242	-	242

34. SEGMENT INFORMATION (Continued)

Business segments (Continued)

1 January 2010 to 31 December 2010	Provision of IT services	Trading of IT equipment	All other segments	Total Group
	$'000	$'000	$'000	$'000
Revenue (including other income)	9,401	11,090	654	21,145
Segment loss	(57,245)	(42,420)	(9,404)	(109,069)
Share of profit of associate	-	80	-	80
Finance costs				(320)
Loss before tax				(109,309)
Income tax				(1,029)
Loss for the year				(110,338)
Segment assets	30,000	67,210	49,871	147,081
Segment liabilities	3,677	6,922	1,110	11,709
Unallocated liabilities				
- Income tax payable				449
- Deferred tax liabilities				3,072
				3,521
Consolidated total liabilities				15,230
Other segment items				
Investment in associate	-	25,253	-	25,253
Capital expenditure	2	907	-	909
Depreciation of property, plant and equipment	107	624	-	731
Amortisation of intangible assets	1,787	9,077	-	10,864
Impairment loss	57,057	20,043	6,065	83,165

The Group has neither balances nor transactions between segments for the financial period / year ended 31 March 2012 and 31 December 2010.

Reconciliations of reportable segment revenues

	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
	$'000	$'000
Total revenue for reportable segments and other segments	49,325	21,145
Less: income from other segments (Note 26)	(1,141)	(654)
Consolidated revenue	48,184	20,491

34. SEGMENT INFORMATION (Continued)

Geographical information

The Group's two business segments operate in two main geographic areas:

- Hong Kong and People's Republic of China ("PRC") - The operations in this area are principally the provision of IT services and trading of IT equipment.
- Singapore - The operations in this area include investment holding, treasury functions and provision of administrative and management services.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010	31 March 2012	31 December 2010
	$'000	$'000	$'000	$'000
Hong Kong	8,417	-	670	875
PRC	40,933	21,145	42,092	43,950
	49,350	21,145	42,762	44,825

Revenues (including other income) of approximately $9,438,000 (2010: $8,316,000) are derived from a single external customer. These revenues are attributable to the PRC trading of IT equipment.

Non-current assets information presented above consist of property, plant and equipment, intangible assets, investment property, investment in associate and other assets as presented in the consolidated balance sheet.

Revenue from major products

Revenues from external customers are mainly derived from sale of IT equipments and RFID chips. Breakdown of the revenue are as follows:

	1 January 2011 to 31 March 2012	1 January 2010 to 31 December 2010
	$'000	$'000
Provision of IT services	22,913	9,401
Trading of IT equipment:		
- IT equipment	20,727	11,090
- RFID chips	4,544	-
Others	1,166	654
	49,350	21,145

35. SUBSEQUENT EVENTS

(a) Acquisition of a PRC company

As detailed in the Company's circular on 5 December 2011 and announced by the Company in various announcements on SGXNet, the Group entered into a sale and purchase agreement ("SPA") to acquire 45% equity interest in China Satellite Mobile Communications Group Limited and its subsidiaries ("China Satellite Group") from certain vendors ("Vendors"), at a purchase consideration of approximately $454,500,000, satisfied by loan notes and the issuance of new ordinary shares ("Proposed Acquisition"). Under the terms of the agreement, the Company and the Vendors agreed on several conditions precedent including, inter-alia, the execution and delivery of (i) an agreement between China Satellite Group and a service provider to secure new subscribers and to purchase satellite phones ("Thuraya Agreement"); and (ii) an agreement between China Satellite Group and a licensed operator in the PRC to construct, set up and operate the virtual gateway for the provision of mobile satellite communication services ("PRC Operator Agreement").

On 5 June 2012, the Thuraya Agreement has been signed and executed. As at the date of this report, China Satellite Group has not entered into the PRC Operator Agreement and the consideration shares have not been issued. The final completion of the Proposed Acquisition is subject to the fulfillment of the conditions precedent as stated in the SPA.

(b) Issuance of placement shares

On 29 April 2012, the Company announced the placement of 166,000,000 new ordinary shares at an issue price of $0.19 each (equivalent to S$0.032) to 7 individual investors to finance the Group's existing and new investments, including the acquisition of China Satellite Group, and general working capital purposes. The net proceeds from the placement, after deducting estimated expenses (including professional and consultancy fees), amounted to approximately $28,800,000 (equivalent to approximately S$4,600,000). On 21 June 2012, the Company issued 96,000,000 placement shares, with the remaining balance of 70,000,000 shares to be issued by no later than 31 July 2012. The newly issued shares rank pari passu in all respects with previously issued shares.

36. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The key financial risks are market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the Board of Directors.

It is the Group's policy not to trade in derivative contracts.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong and PRC and the Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily with respect to Singapore dollar and United States dollar. The Group has investments in foreign subsidiaries whose net assets are exposed to currency translation risk. The Group does not have a policy to hedge its exposure to foreign exchange risk.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group is also exposed to currency translation risk arising from its net investments in foreign operation mainly in China and Singapore. The Group's net investments in China are not hedged as currency position in Chinese Renminbi and Singapore dollars are considered to be long term in nature.

Group **31 March 2012**	Hong Kong dollar $'000	Chinese Renminbi $'000	Singapore dollar $'000	United States dollar $'000	Total $'000
Financial assets					
Other investments	-	2,837	-	-	2,837
Trade and other receivables	3,383	59,931	13	3,199	66,526
Cash and bank balances	413	11,895	1	780	13,089
	3,796	74,663	14	3,979	82,452
Financial liabilities					
Trade and other payables	1,174	5,501	3,298	1,113	11,086
Borrowing	-	5,519	-	-	5,519
Lease obligations	436	-	-	-	436
	1,610	11,020	3,298	1,113	17,041
Net financial assets (liabilities)	2,186	63,643	(3,284)	2,866	65,411
Less: Net financial liabilities (assets) denominated in the respective entities functional currencies	(2,186)	(63,643)	41	-	(65,788)
Foreign currency exposure	-	-	(3,243)	2,866	(377)

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Group 31 December 2010	Hong Kong dollar $'000	Chinese Renminbi $'000	Singapore dollar $'000	United States dollar $'000	Total $'000
Financial assets					
Other investment	-	6,754	-	-	6,754
Trade and other receivables	29,334	53,046	34	199	82,613
Cash and bank balances	865	11,026	1	784	12,676
	30,199	70,826	35	983	102,043
Financial liabilities					
Trade and other payables	4,451	4,639	273	1,597	10,960
Lease obligations	690	-	-	-	690
	5,141	4,639	273	1,597	11,650
Net financial assets (liabilities)	25,058	66,187	(238)	(614)	90,393
Less: Net financial liabilities (assets) denominated in the respective entities functional currencies	(25,058)	(66,187)	25	-	(91,220)
Foreign currency exposure	-	-	(213)	(614)	(827)

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Company **31 March 2012**	Hong Kong dollar $'000	Singapore dollar $'000	United States dollar $'000	Total $'000
Financial assets				
Amounts due from subsidiaries	60,486	-	-	60,486
Cash and bank balances	4	-	-	4
	60,490	-	-	60,490
Financial liability				
Trade and other payables	348	2,582	78	3,008
Net financial assets / (liabilities)	60,142	(2,582)	(78)	57,482
Less: Net financial assets denominated in the Company's functional currency	(60,142)	-	-	(60,142)
Foreign currency exposure	-	(2,582)	(78)	(2,660)

Company **31 December 2010**	Hong Kong dollar $'000	Singapore dollar $'000	Total $'000
Financial assets			
Amounts due from subsidiaries	131,142	-	131,142
Other receivables	-	30	30
Cash and bank balances	4	-	4
	131,146	30	131,176
Financial liability			
Trade and other payables	594	242	836
Net financial assets / (liabilities)	130,552	(212)	130,340
Less: Net financial assets denominated in the Company's functional currency	(130,552)	-	(130,552)
Foreign currency exposure	-	(212)	(212)

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Hong Kong dollar against the relevant foreign currencies. 10% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the Hong Kong dollar strengthens by 10% (2010: 10%) against the relevant foreign currency, with all other variables held constant, loss for the period / year will increase (decrease) by:

Group	Singapore dollar	United States dollar
	$'000	$'000
31 March 2012		
Loss for the period	(271)	239
31 December 2010		
Loss for the year	(18)	(51)

Company	Singapore dollar	United States dollar
	$'000	$'000
31 March 2012		
Loss for the period	(216)	(7)
31 December 2010		
Loss for the year	(18)	-

A 10% weakening of Hong Kong dollar against the relevant foreign currencies at the balance sheet date would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remains constant.

(ii) Interest rate risk

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 31 March 2012, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

Other than the lease obligations, cash and bank balances, amounts due from subsidiaries and borrowing, the Group and the Company do not have financial instruments exposed to interest rate risk as at 31 March 2012. 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 period / year presented.

The following table sets out the carrying amount, of the Group's financial instruments, that are exposed to interest rate risk:

	Group		Company	
	31 March 2012	31 December 2010	31 March 2012	31 December 2010
	$'000	$'000	$'000	$'000
Within 1 year – fixed rates				
Lease obligations (Note 14)	436	690	-	-
Borrowing (Note 13)	5,519	-	-	-
More than 1 year – fixed rates				
Amounts due from subsidiaries (Note 9)	-	-	-	154,847
Within 1 year – floating rates				
Cash and bank balances	13,089	12,676	4	4

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks.

As the impact of changes in floating interest rates on the Group's financial instruments is minimal, sensitivity analysis is not prepared.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Management monitors rolling forecasts of the Group's and the Company's liquidity reserve, cash and bank balances on the basis of expected cash flows.

As at 31 March 2012, the Group has cash at bank balances deposited with banks in the PRC denominated in RMB amounting to $11,895,000 (RMB9,698,000) (2010: $11,026,000 (RMB9,382,000). The RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of settlement, sale and payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

Group	Weighted average effective interest rate	On demand or not later than 1 year
	%	$'000
31 March 2012		
Non-derivative instruments		
Trade and other payables	-	17,401
Borrowing	12	6,181
Lease obligations	3	492
		24,074

	Weighted average effective interest rate	On demand or not later than 1 year	Later than 1 year and not later than 5 years
	%	%	$'000
31 December 2010			
Non-derivative instruments			
Trade and other payables	-	11,019	-
Lease obligations	3	230	550
		11,249	550

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

Company	On demand or not later than 1 year $'000
31 March 2012	
Non-derivative instruments	
Trade and other payables	3,008
31 December 2010	
Non-derivative instruments	
Trade and other payables	836

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's trade receivables from customers and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk.

At the balance sheet date, approximately:
- $6,132,000 (2010: $12,990,000) of the Group's trade receivables were due from 3 (2010: 3) major customers who are private limited companies incorporated in Hong Kong, PRC and BVI.
- $57,377,000 (2010: $25,267,000) of the Group's short term advances was due from 4 (2010: 1) major debtors who are private limited companies incorporated in PRC.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit term granted to trade receivables range from 180 to 270 days (2010: 180 to 270 days) term. No interest is charged on the trade receivables balances.

The credit term granted on short term advances range from 6 to 12 months (2010: 12 months) term. No interest is charged on the outstanding advances.

Cash and bank balances are placed with reputable local financial institutions in Hong Kong, PRC and Singapore. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheets are net of allowances for impairment loss, estimated by management based on prior experience and the current economic environment.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

The credit risk for trade and other receivables (excluding prepayments and deposits) based on the information provided to key management is as follows:

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
By geographical areas		
- Hong Kong	6,293	2,428
- People's Republic of China	59,879	43,830
- Singapore	13	-
	66,185	46,258

The age analysis of trade and other receivables is as follows:

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
Not past due and not impaired	62,825	36,213
Past due but not impaired		
- Past due 0 to 3 months	1,269	825
- Past due 3 to 6 months	2,037	-
- Past due over 6 months	54	9,220
	3,360	10,045
Impaired receivables	3,541	-
Less: Allowance for impairment loss		
Recognised during the period in profit or loss	(3,487)	-
Currency translation difference	(54)	-
	(3,541)	-
	-	-
	66,185	46,258

Receivables that are individually determined to be impaired at the end of the reporting period represents other receivables outstanding for more than 365 days and are determined to be impaired as the repayment is considered unlikely in view of the financial position of the other receivables. These receivables are not secured by any collateral or credit enhancements.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

The Group has provided fully for all other receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable determined by reference to past default experience.

Included in the Group's receivables are customers with total carrying amount of $3,361,000 (2010: $10,045,000), which are past due but not impaired as there has not been a significant change in credit quality and the amount are still considered recoverable.

The movement in allowance for impairment loss is as follows:

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
Balance at beginning of period / year	-	-
Allowance made during the year	3,487	-
Currency translation difference	54	-
Balance at end of the year / period	3,541	-

(d) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	31 March 2012	31 December 2010	31 March 2012	31 December 2010
	$'000	$'000	$'000	$'000
Financial assets:				
Loans and receivables (including cash and bank balances)	79,615	95,289	4	4
Available-for-sale financial asset	2,837	6,754	-	-
	82,452	102,043	4	4
Financial liabilities at amortised cost	23,356	11,709	3,008	836

36. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowing disclosed in Note 13, net of cash and bank balances, and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses as disclosed in Notes 16 to 24. The Group's and Company's strategies, which were unchanged from 2010 are to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Gearing ratio is calculated as net debt divided by total capital. The Group defines total debt as obligations under finance lease, borrowing and other payables and accruals and capital of the Group as the total shareholders' equity. The Group's gearing ratio is as follows:-

	Group	
	31 March 2012	31 December 2010
	$'000	$'000
Total liabilities	23,356	11,709
Total equity		
Total capital	100,392	130,443
Gearing ratio	23.3%	9.0%

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital, and monitors the gearing ratio. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

As disclosed in Note 20, the PRC incorporated subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been compiled with by the above-mentioned subsidiary for the financial period / year ended 31 March 2012 and 31 December 2010.

Except as mentioned above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy as at 31 March 2012:

	Group			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 March 2012				
Financial assets				
Available-for-sale financial asset	-	-	2,837	2,837
31 December 2010				
Financial assets				
Available-for-sale financial asset	-	-	6,754	6,754

Fair value hierarchy
The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value
The fair value of available-for-sale financial asset was estimated by applying the discounted cash flow model based on various assumptions, including growth rates and discount rates (Note 10).

Movements in Level 3 financial instruments measured at fair value
The following table presents the reconciliation for available-for-sale financial asset measured at fair value based on significant unobservable inputs (Level 3).

	31 March 2012	31 December 2010
	$'000	$'000
Opening balance	6,754	12,728
Currency translation difference	228	91
Impairment loss (Note 10)	(4,110)	(6,065)
Disposal	(35)	-
Closing balance (Note 10)	2,837	6,754
Total losses for the period included in profit or loss for assets and liabilities held at balance sheet date	(4,110)	(6,065)

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables, payables, lease obligations and borrowing are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The carrying amounts of amount due from subsidiaries do not have fixed term of repayments and fair values cannot be reasonably estimated.

38. COMPARATIVES

Prior year comparatives have been audited by another firm of certified public accountants.

During the current financial period, the Company changed its financial year-end from 31 December to 31 March to allow for better management of the Company's internal processes in coordinating its financial reporting requirements with external parties and improved administrative and operational efficiencies.

Accordingly, the current financial statements are presented for the 15-month period from 1 January 2011 to 31 March 2012 and the balance sheet as at 31 March 2012. The comparative financial statements are presented from 1 January 2010 to 31 December 2010 and balance sheet as at 31 December 2010.

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current period's financial statements. As a result, certain line items have been amended on the statement of comprehensive income and the related notes to the financial statements to conform with the current period's presentation.

	Group	
	31 December 2010 balances as restated	31 December 2010 balances as previously reported
	$'000	$'000
Statement of comprehensive income		
Subcontracting fees	(5,620)	-
Other income	654	502
Other expenses	(12,439)	(17,907)
Currency translation difference arising from consolidation	2,254	3,003
Share of translation reserve of associate	749	-

SHAREHOLDERS' INFORMATION

AS AT 15 JUNE 2012

Share Capital

Authorised share capital	- HK$500,000,000.00
Issued and fully paid-up	- HK$56,432,023.70
No. of treasury shares held	- Nil
Class of shares	- Ordinary shares of HK$0.05 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 15 June 2012, 95.07% of the issued ordinary shares of the Company were held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist 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	6	0.21	786	0.00
1,000 - 10,000	697	24.76	4,149,000	0.37
10,001 - 1,000,000	2,058	73.11	210,428,118	18.64
1,000,001 and above	54	1.92	914,062,570	80.99
	2,815	100.00	1,128,640,474	100.00

Top 20 Shareholders

No.	Name	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	147,735,570	13.09
2	Phillip Securities Pte Ltd	136,246,834	12.07
3	UOB Kay Hian Pte Ltd	134,819,638	11.95
4	Hong Leong Finance Nominees Pte Ltd	53,099,000	4.70
5	You Shuidong	50,000,000	4.43
6	Compelling Vision Technology Limited	44,381,277	3.93
7	Merrill Lynch (S) Pte Ltd	43,750,000	3.88
8	Raffles Nominees (Pte) Ltd	37,846,000	3.35
9	HSBC (Singapore) Nominees Pte Ltd	30,450,000	2.70
10	Lim Bok Hoo	30,000,000	2.66
11	OCBC Securities Private Ltd	25,081,000	2.22
12	Tang Zhijian	20,000,000	1.77
13	Zhou Xiao Ping	15,625,000	1.38
14	Xi Chen	15,620,000	1.38
15	Tu Xiaojing	12,625,000	1.12
16	Cui Naiqing	9,000,000	0.80
17	DBS Nominees Pte Ltd	8,375,251	0.74
18	Fu Qiaoling	8,160,000	0.72
19	Citibank Nominees Singapore Pte Ltd	8,001,000	0.71
20	Wei Dake	7,908,000	0.70
		838,723,570	74.30

Substantial Shareholders

Based on information available to the Company as at 15 June 2012, the Company had no substantial shareholders.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2012 Annual General Meeting of Armarda Group Limited (the "**Company**") will be held at Room 3501, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong and via teleconference at 112 Robinson Road, #03-02, Singapore 068902 on 20 July 2012 at 2.00 p.m. (Hong Kong time) to transact the following business:-

Ordinary Business

1 To receive and adopt the directors' report and audited financial statements for the period from 1 January 2011 to 31 March 2012 together with the auditors' report thereon.

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

(a) Mr. Terence Luk Chung Po

(b) Mr. Lee Joo Hai

Note: Mr. Lee Joo Hai will continue in office as a member and the chairman of the Audit Committee as well as a member of both the Remuneration and Nominating Committees upon his re-election as a director of the Company. Mr. Lee is considered an independent director.

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

(a) "That directors' fees of S$33,500/- payable by the Company for the period from 1 January 2012 to 31 March 2012 be approved."

(b) "That directors' fees of S$134,000/- payable by the Company for the period from 1 April 2012 to 31 March 2013 be approved."

Note: The directors' fees for the period from 1 January 2011 to 31 December 2011 was S$110,000/-.

4 To re-appoint Crowe Horwath First Trust LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the directors of the Company to fix their remuneration.

Special Business

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

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

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

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

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

(b) (notwithstanding the authority conferred by this Resolution 5 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors of the Company while the authority conferred by this Resolution 5 was in force, provided always that:-

(i) the aggregate number of Shares to be issued pursuant to this Resolution 5 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 5) does not exceed 100% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below), whether on a pro rata or non pro rata basis;

(ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares (excluding treasury shares) shall be based on the number of issued Shares (excluding treasury shares) at the time this Resolution 5 is passed, after adjusting for:-

(A) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution 5 is passed; and

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

(iii) in exercising the authority conferred by this Resolution 5, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of Section B: Rules of Catalist of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Bye-Laws for the time being of the Company; and

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 5 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

6 In the event that Resolution 5 is not approved by shareholders of the Company, to consider and, if thought fit, to pass the following as an ordinary resolution, with or without modifications:-

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

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

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

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

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

(i) the aggregate number of Shares to be issued pursuant to this Resolution 6 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6) does not exceed 100% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6) does not exceed 50% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below);

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

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

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

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

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 6 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

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

"That approval be and is hereby given to the directors of the Company or a committee of the directors to offer and grant options in accordance with the provisions of the Armarda Employee Share Option Scheme (including options over Shares at an exercise price per Share set at a discount to the market price of a Share) and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the Armarda Employee Share Option Scheme, provided that the aggregate number of Shares to be issued pursuant to the Armarda Employee Share Option Scheme shall not exceed 15% of the total number of issued Shares (excluding treasury shares) on the day immediately preceding the relevant date of grant of the options. For the avoidance of doubt, shareholders' pre-emptive right under Bye-law 10 of the Bye-Laws of the Company does not apply."

8 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,
28 June 2012

Statements pursuant to Bye-law 66 of the Bye-Laws of the Company

(1) Special Resolution 5 is to empower the directors of the Company, from the date of the passing of Special Resolution 5 to the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an aggregate number not exceeding 100% of the total number of issued Shares (excluding treasury shares) whether on a pro rata or non pro rata basis. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) at the time that Special Resolution 5 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time that Special Resolution 5 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Special Resolution 5, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(2) Ordinary Resolution 6 is to empower the directors of the Company, in the event that Special Resolution 5 is not passed, from the date of the passing of Ordinary Resolution 6 to the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an aggregate number not exceeding 100% of the total number of issued Shares (excluding treasury shares) with a sub-limit of 50% of the total number of issued Shares (excluding treasury shares) for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) at the time that Ordinary Resolution 6 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time that Ordinary Resolution 6 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Ordinary Resolution 6, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(3) Ordinary Resolution 7 is to empower the directors of the Company to offer and grant options and to allot and issue Shares 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) on the day immediately preceding the relevant date of grant of the options.

NOTICE OF
ANNUAL GENERAL MEETING

Notes

(1) The Company will be coordinating a teleconference as permitted under Bye-law 63(A) of the Bye-Laws of the Company. Shareholders who wish to take part in the Annual General Meeting from Singapore can participate in the teleconference to be held at 112 Robinson Road, #03-02, Singapore 068902 on 20 July 2012 at 2.00 p.m. (Hong Kong time). Shareholders attending the teleconference in person or by proxy shall be entitled to vote at the Annual General Meeting.

(2) A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her/its stead. With the exception of The Central Depository (Pte) Limited which may appoint more than two proxies, any shareholder who is the holder of two or more Shares may appoint not more than two proxies. A proxy need not be a shareholder.

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

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

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

The contact person for the Sponsor is Mr. Liau H.K.
Telephone number: 6221 0271

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