ARMARDA
GROUP

Annual Report 2014

CONTENTS

OUR **VISION**

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

CORPORATE PROFILE

Established in 2003, Armarda Group Limited started out as an IT and professional services provider focused on serving the People's Republic of China ("PRC") banking and financial services industry. Backed by a strong team of IT and banking professionals with comprehensive understanding and experience of the PRC's banking and financial services sector, as well as in-depth knowledge of the advanced banking applications in developed countries, the Group was able to provide an integrated suite of IT and professional services that addressed the needs of PRC banks.

The Group has served major customers such as the Bank of Communications, the China Construction Bank, the Shenzhen Rural Commercial Bank, the Chongqing Commercial Bank and the Bank of Dongguan.

Throughout the years, the Group has forged close ties with leading technology vendors, such as IBM, Electronic Data System, Oracle and Sybase. As testament to its excellence in quality control, the Group has been certified with the ISO 9000 and the Third Tier of Computer System Integration qualifications.

Since the late 2000s, aside from maintaining the IT and professional services as a core business, the Group begun to identify other related IT-based business initiatives and diversified its businesses through formation of joint ventures, business co-operations and acquisitions.

In FY2013, the Group successfully acquired a 45% equity interest in China Satellite Mobile Communications Group Limited to venture into the provision of Thuraya mobile satellite telecommunication services (MSS) in the PRC. The Group believes that, with adequate time and financing resources, as well as successful implementation and execution, the MSS business could grow to be one of the Group's most promising business units in the foreseeable future. Building on its partnership, the Group has developed close business links with reputable state-owned companies such as China National Postal & Telecommunications Appliances Corporation ("PTAC").

Currently, the Group has established its principal operations in Hong Kong, Beijing, Shanghai and Zhuhai.

MESSAGE FROM CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors, I would like to present you the 2014 Annual Report of the Armarda Group.

The market condition in the PRC IT industry where we operate remains challenging. The increasingly tense competition from the growing presence from both local and international market players, as well as the continuous decrease in IT-related spending by our existing clients had resulted in a reduced demand for our core business. As such, we diversified into the MSS business in the PRC as it presents vast growth opportunities for the Group.

Having successfully established a sole distributorship with Thuraya Telecommunications Company ("Thuraya"), we concentrated our resources and efforts in growing our MSS business in the PRC via our newly acquired associate China Satellite Mobile Communications Group Limited ("CSMCG") and its subsidiaries ("China Satellite Group"). Riding on the PRC's huge telecommunication market, our growth strategy is to provide an alternative and unique mobile telecommunication solution that offers undisruptive connectivity anytime and anywhere in the PRC.

Looking ahead for FY2015, we will strive towards a better financial performance by devoting more resources and efforts in developing our diversified business initiatives including, but not limited to, CSMCG's mobile satellite communication services business in the PRC. We will also continue on our strategy to explore promising new business opportunities, as well as M&A possibilities which could bring growth to our Group and enhance our shareholders' value in the long run.

Lastly, I would like to extend my appreciation and gratitude to our management team and all fellow staff for their immense efforts and devotion to our Group in FY2014. I would also like to thank our shareholders, customers, suppliers and business partners for their understanding and continuing support.

Dr Chou Tao-Hsiung, Joseph
Chairman
23 June 2014

MESSAGE FROM CEO

FY2014 has been a challenging year for Armarda Group.

Our Group's loss after tax in FY2014 was approximately HK$88.2 million. The loss was mainly attributed by (i) higher operating expenses including a non-cash performance share plan expenses provision of approximately HK$9.0 million, (ii) an increase in share of losses of associates partly as a result of our 45% share of the operating loss sustained by the CSMCG Group of approximately HK$21.1 million and partly as a result of our 45% share of loss of approximately HK$20.6 million primarily brought by a provision for doubtful debts of our PRC associate, and (iii) a provision for impairment loss on investment in our PRC associate of approximately HK$2.9 million.

In the year, we conducted fund-raising initiatives that enabled the Group to be financially flexible to capture growth opportunities in the PRC. The Group had, on 30 April 2013 and 8 January 2014, announced a placement and subscription of 715,700,000 new ordinary shares and placement of 577,000,000 new ordinary shares at an issue price of S$0.0217 and S$0.01145 respectively for each share. The net proceeds of S$14.4 million and S$6.34 million (equivalent to approximately HK$90.4 million and HK$38.8 million) from the placements and subscription were used to finance the Group's existing and new investment opportunities and general working capital purposes.

After the financial year ended on 31 March 2014, the Company announced a placement of 1,440,000,000 new ordinary shares on 19 June 2014 at an issue price of HK$0.05 each to finance the Group's existing and new investments and for general working capital purposes. The net proceeds from the placement will amount to approximately S$10.2 million (equivalent to approximately HK$63 million). The placement has not been completed as at the date of this annual report.

With part of the proceeds from the fund-raising, the Group successfully entered the niche MSS market in the PRC with the acquisition of a 45% equity interest in China Satellite Mobile Communications Group Limited ("CSMCG") while we are presently engaged in ongoing discussion with the Vendors on the possibility of acquiring the remaining 55% equity interest in CSMCG. In driving the growth of the business, we have successfully rolled out our "1349" mobile satellite telecommunication services jointly with CTS within the PRC. As this business is still in gestation, it has yet to reap significant contribution to our financial performance. However we expect this business to deliver reasonable financial return for the Group in the foreseeable future.

Looking ahead, we will continue to strengthen the MSS business in the PRC and, at the same time, focus on turning around the highly challenging and competitive IT consulting business in the PRC. Particularly for our MSS business, we will concentrate our efforts and resources to expand the customer base of our Thuraya MSS products and services in the PRC. Additionally, we will be launching new cutting-edge mobile satellite telecommunication products and services together with PTAC's associate company PTAC E-Commerce later in the year. Concurrently, we will also strive to empower our Group's ongoing development with prospective business opportunities to garner substantial growth and profitability for the Group.

Last, but not least, I would like to extend my warmest appreciation to all shareholders, our board members and fellow employees at Armarda, customers, suppliers and business partners, for your continued support and understanding in the year.

Luk Chung Po, Terence
Chief Executive Officer
23 June 2014

BOARD OF DIRECTORS

DR CHOU TAO-HSIUNG, JOSEPH
Non-Executive Chairman

Dr Joseph Chou was appointed as the Group's Non-executive Chairman in March 2004. He is responsible for overseeing the business policies and strategies of our Group. Prior to his present position, Dr Chou served as a Chief Consultant (Business) with Taiwan Secom Co Ltd from March 2003 to February 2006. He also served as the Chairman and Chief Executive Officer of Aion Technologies Inc. between 2000 and 2003. Dr Chou spent more than 18 years with IBM in the USA including 3 years on assignment with IBM in Taiwan. He was the Chairman and President in charge of the overall operations of IBM in Taiwan from 1968 to 1971. Dr Chou holds a PhD in Econometrics from the Iowa State University, USA and a Master of Science in Agriculture Economics from the Cornell University, USA. Dr Chou was last re-elected as Director on 26 July 2013.

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 appointed as 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 20 July 2012 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 was the Non-Executive Director of Singapore-listed Lottvision Limited from February 2009 until 27 July 2012.

Mr Gao holds a master's degree in Software Engineering from Fudan University, PRC. Mr Gao was last re-elected on 26 July 2013.

MR MAK TIN SANG
Executive Director

Mr Mak Tin Sang was appointed as Chief Financial Officer in January 2004 and being appointed as Executive Director on 10 June 2013. He is responsible for the Group's finance, operation and business development. 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 Limited between August 2001 and September 2003. Mr Mak also served as Group Chief Financial Officer and General Manager of UniVision Engineering Limited's operations in the PRC from October 1996 to July 2001.

Mr Mak holds a Master's Degree in Business Administration from the University of Sheffield, UK. He is also a fellow of the United Kingdom Chartered Association of Certified Accountants. Mr Mak was last re-elected on 26 July 2013.

MR LEE JOO HAI
Independent Director

Mr Lee Joo Hai was appointed as an Independent Director of our Company in March 2004. Mr Lee has more than 30 years of experience in accounting and auditing. He is a Chartered Accountant of Singapore and a member of Institute of Chartered Accountants in England and Wales, Malaysian Institute of Accountants and Singapore Institute of Directors. He is also a fellow of the Hong Kong Institute of Directors. Since 1 October 2001, Mr Lee was a director of Food Junction Holdings Limited until it was delisted from the Main Board of SGX-ST on 9 December 2013. Currently, Mr Lee's directorships in Singapore listed companies are Hyflux Limited, IPC Corporation Limited, Kian Ho Bearings Limited and Lung Kee (Bermuda) Holdings Limited. Mr Lee was last re-elected as Director on 20 July 2012.

MR PHUAH LIAN HENG
Independent Director

Mr Phuah Lian Heng was appointed as an Independent Director of our Company in March 2004 and also an Independent Director of AA Group Holdings Limited since 4 July 2005. He is currently the Director of VCOD(S'pore) Pte Ltd. Mr Phuah was an procurement engineer and contracts 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 such as business development manager, operations director and corporate development director. 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 and will be due for re-election at the coming AGM.

ACHIEVING **OUR GOAL**

KEY MANAGEMENT

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 appointed as 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.

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Executive Director

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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 was the Non-Executive Director of Singapore-listed Lottvision Limited from February 2009 until 27 July 2012. Mr Gao holds a master's degree in Software Engineering from Fudan University, PRC.

MR MAK TIN SANG
Executive Director

Mr Mak Tin Sang was appointed as Chief Financial Officer in January 2004 and being appointed as Executive Director on 10 June 2013. He is responsible for the Group's finance, operation and business development. 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 Limited 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
Chief Financial Officer and Company Secretary

Ms Karen Chu was appointed as Financial Controller in July 2009 and being appointed as Chief Financial Officer and Company Secretary on 10 June 2013. Ms Chu is responsible to oversee finance, accounting, operation and corporate secretarial functions of the Group companies. Prior to joining the Company, she was the accounting manager of LottVision Limited. She has over 15 years of financial accounting and management 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 NORMAN CHENG
General Manager, Satellite Business

Mr Norman Cheng was appointed as General Manager on 12 November 2013. He is responsible to oversee the satellite business operation including corporate sales, marketing, product development, product support and industrial solutions. Mr Cheng has over 30 years of international experience in the media, information technology and telecommunications industries. Prior to joining, he was the Chief Executive Officer of China Post Media, a subsidiary of China Post Group, spearheading their joint initiative throughout China. He held senior executive positions in various I.T. organisations such as Mobinnova Inc., (currently known as Commtiva Technology Corp), a subsidiary of Cisco Systems and Huges Network Systems.

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)
Mak Tin Sang (Executive Director)
Lee Joo Hai (Independent Director)
Phuah Lian Heng (Independent Director)

KEY MANAGEMENT
Luk Chung Po, Terence (Executive Director, Deputy Chairman and Chief Executive Officer)
Gao Xiangjun, Richard (Executive Director)
Mak Tin Sang (Executive Director)
Chu Yin Ling, Karen (Chief Financial Officer and Company Secretary)
Norman Cheng (General Manager, Satellite Business)

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
Chu Yin Ling, Karen

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SINGAPORE SHARE TRANSFER AGENT
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112 Robinson Road, #05-01
Singapore 068902

AUDITORS
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Certified Public Accountants
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Singapore 068811
Partner-in-charge: Mr Tan Kuang Hui
(since financial year ended 31 March 2012)

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

Zhuhai City Commercial Bank
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CORPORATE GOVERNANCE REPORT

Armarda Group Limited (the "Company") is committed to maintaining a high standard of corporate governance to ensure greater transparency with the Group. The Company evaluates and put in place effective corporate practices to retain its shareholders' confidence in management and financial reporting, as well as enhance long-term shareholders' value.

This report outlines specific reference made to each of the principles and guidelines of the revised Code of Corporate Governance which was issued on 2 May 2012 by the Monetary Authority of Singapore (the "2012 Code"). Pursuant to Rules of Catalist 710 of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "Catalist Rules"), the Company has complied corporate governance processes with specific reference to the 2012 Code.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board of Directors (the "Board") presently comprises the following members :

Dr Chou Tao-Hsiung, Joseph	Non-Executive Chairman
Mr Luk Chung Po, Terence	Executive Director, Deputy Chairman and Chief Executive Officer
Mr Gao Xiangjun, Richard	Executive Director
Mr Mak Tin Sang	Executive Director
Mr Lee Joo Hai	Independent Director
Mr Phuah Lian Heng	Independent Director

All directors discharged their duties and responsibilities objectively and at all times as fiduciaries in the interests of the Company. Apart from their statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate and strategic directions in the interest of the Company objectively. The Board provides entrepreneurial leadership, set strategic objectives and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. 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 operates within clearly defined and written terms of reference ("TOR") and functional procedures. The TORs are reviewed on a regular basis to ensure their continued relevance. The TORs of the respective Board Committees had also been updated to be in line with the 2012 Code.

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

CORPORATE GOVERNANCE REPORT

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. The Company will provide training for first-time directors in the areas of accounting, legal and industry-specific knowledge where necessary.

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 APRIL 2013 TO 31 MARCH 2014								
	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	4	4	4	4	1	1	2	2
Mr Luk Chung Po, Terence	4	4	4	4	1	1	2	2
Mr Lee Joo Hai	4	4	4	4	1	1	2	2
Mr Phuah Lian Heng	4	4	4	4	1	1	2	2
Mr Gao Xiangjun, Richard	4	4	4	4	1	1	2	2
Mr Mak Tin Sang	4	4	4	4	1	1	2	2

No. of board meetings held from 1 April 2013 to 31 March 2014: 4
No. of audit committee meetings held from 1 April 2013 to 31 March 2014: 4
No. of nominating committee meetings held from 1 April 2013 to 31 March 2014: 1
No. of remuneration committee meetings held from 1 April 2013 to 31 March 2014: 2

Principle 2: Board Composition and Guidance

Board of Directors

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

		Committee Membership		
Name	Nature of Board Members	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 & 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	-	-	-
Mr Mak Tin Sang	Executive Director	-	-	-

The Group believes that there should be a strong and independent element on the Board with Independent Directors making up at least one-third of the Board. The Board of Directors currently comprises 6 directors, of which 2 are independent and 1 is non-executive to exercise objective judgement. The independence of each Director is reviewed by the Nominating Committee. The NC adopts the definition of what constitutes an Independent Directors from the 2012 Code, who have no relationship with the Company, its related corporations, its 10% shareholders or its officers. The NC and the Board have reviewed and determined that Mr Lee Joo Hai and Mr Phuah Lian Heng are independent. The independence of each Director is reviewed annually by NC and/or the Board where applicable. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board is aware of the recommendation under the 2012 Code that in the event, inter alia, the Chairman is not an independent director, the independent directors should make up at least half of the board and the Company is required to appoint a lead independent director. The Company has not appointed a lead independent director. The Company is in the midst of reviewing its board composition and shall comply with such requirement before the end of next financial year ending 31 March 2015.

The Board has assessed the independence of the two Independent Directors, Mr Lee Joo Hai and Mr Phuah Lian Heng after considering the recommendations set out in the 2012 Code. Notwithstanding that both Mr Lee Joo Hai and Mr Phuah Lian Heng have served the Board since March 2004, the Board is fully satisfied that they demonstrate complete independence, robustness of character and judgment both in their designated role and members of the Board. In addition, the Board confirms that both Mr Lee Joo Hai and Mr Phuah Lian Heng have not been involved in any executive functions as well as day-to-day operations of the Group and that notwithstanding the 10 years' time frame they have continued to be and are deemed independent.

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

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

Principle 3: Role of Chairman and Chief Executive Officer

The Board recognizes the 2012 Code's recommendation that the Chairman and the Chief Executive Officer ("CEO") should be separate persons to perform separate functions in order 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, promotes a culture of openness and debate at the Board, 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

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 TOR of the NC. The NC performs the following functions:

a) determining whether a Director is independent with reference to the criteria set out in the 2012 Code;

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

c) 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 2012 Code;

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

e) reviewing Board succession plans for directors, in particular, the Chairman and for the CEO;

f) reviewing training and professional development programs for the Board;

g) 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; and

h) 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.

Certain Directors hold directorships in other companies which are not part of the Group. However, the Board, with the concurrence of the NC, have agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances relating to each Director and the NC will instead focus on whether a Director has sufficient time to adequately discharge his duties to the Company. The NC is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors of the Company. These Directors would widen the experience of the Board and give it a broader perspective.

The year of initial appointment and last re-election dates of each Director and his/her current and past directorship on other listed companies are listed below:

Director	Date of initial appointment	Date of last re-election	Current directorships in other listed companies	Past directorships in listed companies (preceding three years)
Dr Chou Tao-Hsiung, Joseph	March 2004	26 July 2013	Nil	Nil
Mr Luk Chung Po, Terence	June 2005	20 July 2012	LottVision Limited	Nil
Mr Gao Xiangjun, Richard	February 2009	26 July 2013	Nil	Nil
Mr Mak Tin Sang	10 June 2013	26 July 2013	Nil	Nil
Mr Lee Joo Hai	March 2004	20 July 2012	Agria Corporation Hyflux Limited IPC Corporation Limited Kian Ho Bearings Limited Lung Kee (Bermuda) Holdings Limited	Food Junction Holdings Limited Adampak Limited Asiasons WFG Financial Limited
Mr Phuah Lian Heng	March 2004	23 April 2011	AA Group Holdings Limited	Nil

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

Each member of the NC had abstained from deliberations in respect of assessment of his own independence.

The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view and capabilities required within the Board. Key information regarding the Directors' academic and professional qualifications and principal committee 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 25 of the Annual Report.

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 Phuah Lian Heng be nominated for re-election at the forthcoming AGM. In making its recommendations, the NC has considered the Directors' overall contribution and performance.

Principle 5: Board Performance

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 a meaningful comparison.

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.

Each member of the NC had abstained from voting on any resolutions and making any recommendations/ participating in any deliberations of the NC in respect of his re-nomination as Director.

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, including but not limited to quarterly financial statements, project forecast and its material variances, and copies of disclosure documents. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. 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.

REMUNERATION MATTERS

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

Remuneration Committee ("RC")

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

The Board has approved the written TOR 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, performance shares 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 and key management personnel;

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 Group Limited Performance Share Plan ("AGL PSP").

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 Company has not engaged any remuneration consultant for FY2014.

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 RC aims to be fair and avoid rewarding poor performance.

The Group adopts a remuneration policy for Executive Directors generally comprising a basic salary component as well as performance shares awards granted. The performance related award is to align the interests of the Executive Directors with those of the shareholders and the Group, and promote the long-term success of the Group.

CORPORATE GOVERNANCE REPORT

The Chairman Dr Chou Tao-Hsiung, Joseph did not receive any compensation except performance shares awards granted. The remuneration of the Independent Directors is in the form of a combination of fixed directors' fee as well as performance shares awards granted. Such directors' fees will be pro-rated for the twelve months ended 31 March 2014. The remuneration of the Non-Executive Directors will be subject to approval at the AGM.

Independent Directors generally receive directors' fees, 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 twelve months ended 31 March 2014 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 Gao Xiangjun, Richard	100	-	-	-	100
Mr Mak Tin Sang	100	-	-	-	100
Mr Lee Joo Hai	-	-	100	-	100
Mr Phuah Lian Heng	-	-	100	-	100
Executive Officers					
S$250,000 -S$500,000	-	-	-	-	-
Below S$250,000					
Ms Chu Yin Ling, Karen	100	-	-	-	100
Mr Norman Cheng	100	-	-	-	100

Notes:

[1] Includes performance shares issued under the AGL PSP

The Company is aware of the requirement of fully disclosure of the remuneration of each individual director and the CEO and the top key management personnel under the 2012 Code. In view of the market competition and information sensitivity, the Board believes that disclosure of each director's and the CEO's and the top key management personnel's remuneration breakdown in remuneration bands, in percentage terms would be sufficient.

Details of Directors' interests in Shares and the AGL PSP are set out on pages 25 to 27.

There are two Executive Officers receiving remuneration during the year.

Each Executive Director has a service contract with a fixed appointment period and the RC reviews in particular termination provisions to ensure that such service contracts contain fair and reasonable termination clauses which are not overly generous. Where possible, the RC will consider the use of contractual provisions to allow the Company to reclaim incentive components. 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, three months' notice in writing, or in lieu of notice in writing.

Save for Mr Luk Siu Fung, Mark who is the son of CEO, Mr Luk Chung Po, Terence, act as project manager of the Company, there were no other employees who were immediate family members of any Director or substantial shareholder or the Chief Executive Officer. The Remuneration of Mr Luk Siu Fung, Mark exceeds S$50,000 and below S$100,000 during the financial year ended 31 March 2014.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is accountable to the shareholders while Management is accountable to the Board. Management presents quarterly and full-year financial statements to the Audit Committee and the Board for review and approval. The Board approves the results and authorises the release of results to SGX-ST and the public via SGXNET.

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. The Board satisfied with the quarterly report which is sufficient to demonstrate the performance and position of the Group giving the nature of the existing business.

Principle 11: Risk management and internal controls

The Board is responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls.

The Group does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are found on pages 91 to 101 of the Annual Report.

In evaluation of the internal control, apart from the statutory audits conducted by external auditors, the Company also engaged an independent professional consultancy firm Baker Tilly Hong Kong Risk Assurance Limited to carry out internal audits. Based on the reports of internal and external auditors, the Audit Committee ("AC") and Management evaluate the findings of the internal and external auditors on the Group's internal controls annually for their follow up actions. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board had received assurance from the CEO, the Chief Financial Officer ("CFO") and Executive Directors that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and the effectiveness of the Company's risk management and internal control systems. The Board notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, natural disasters, fraud or other irregularities. Therefore, the system of internal controls adopted by the Group is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Based on the work performed by the internal auditors and external auditors, assurance from the CEO, CFO and Executive Directors as well as reviews performed by management and the various Board Committees, the Board with the concurrence of the AC are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, are adequate and effective.

Principle 12: 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 Chou Tao-Hsiung, Joseph is a Non-Executive Director.

The Chairman of the AC, Mr Lee Joo Hai, has more than 30 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 TOR 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, compliance and information technology control risks and risk management policies and systems on an annual basis.

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 2012 Code.

The AC meets periodically and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any Director or Executive Officer to attend its meetings. During the financial year, the AC has met 4 times with full attendance of each member.

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 and internal 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. The Group is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors and is pleased to recommend their re-appointment. The fees of audit and non-audit services that were rendered by the external auditor to the Group are amounting to approximately HK$1.5 million and approximately HK$16 thousand respectively. The AC reviews the independence of the external auditors at least once a year.

The AC reviewed the audit plans and audit reports for FY2014 presented by the external auditors. The external auditors have discussed with management regularly and the management will report to the AC during the meeting for the changes or amendments to accounting standards to enable the member of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The Company engages different audit firms for its PRC subsidiaries or significant associated companies and the names of these audit firms are disclosed on pages 64 and 65 of this Annual Report. The Board and AC have reviewed the appointments of these audit firms and are satisfied that the appointments of these other audit firms do not compromise the standard and effectiveness of the audit of the Company.

Based on the reports submitted by the external auditor and internal auditors and the various management controls put in place, the Board with the concurrence of the AC is of opinion that the internal controls of the Company are adequate in addressing its financial, operational and compliance risks.

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 professional consultancy firm which reports directly to the Chairman of the AC on internal audit matters, and to the CFO on administrative matters. The internal auditor is guided by the Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. The AC is satisfied that the internal audit is staffed by qualified and experienced personnel.

The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting / auditing firm or corporation to which the internal audit function is outsourced and that the Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

The AC has reviewed the internal audit plan and report for FY2014 and satisfied that the internal audit is adequately resourced and has the appropriate standing with the Group. The AC reviews the adequacy and effectiveness of the internal audit function annually.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights
Principle 15: Communication with shareholders
Principle 16: Conduct of Shareholder Meetings

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. The Company believes that effective communication can highlight transparency and enhance accountability to its shareholders. Shareholders would be kept apprised of any changes in its business and information that would likely affect the value of the Company's shares would be provided on a timely basis. In order to gather views or inputs, and address shareholders' concerns, all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors during the shareholders meeting.

The Board places great emphasis on investor relations with the Company to maintain a high standard of transparency so as to promote better investor communications. 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 required period of time.

The Company currently does not have a formal dividend policy. Generally, the Board looks into factors such as the Group's earnings, financial position, operations results, capital requirements, cash flows, development plans, and other factors before determining whether any dividend is to be declared and/or paid. For FY2014, the Board has resolved that no dividend shall be payable as the Company reported losses for FY2014.

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 to vote at general meetings.

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. The External Auditors will also be present at AGM to assist the Board in addressing any relevant queries from the 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.

The Company is aware of the recommendation of voting by poll under the 2012 Code and the Company will be implementing voting by poll for the AGM for the financial year ending 31 March 2015.

ADDITIONAL INFORMATION

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.

The AC have reviewed arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. AC has also ensured that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

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 year ended 31 March 2014.

Armarda Group Limited Performance Share Plan ("AGL PSP")

AGL PSP is a share incentive scheme which will allow the Company, inter alia, to target specific performance objectives and to provide an incentive for Directors and selected employees (collectively the "Participants") to achieve these targets. The Directors believe that the new plan will incentivize Participants to excel in their performance and encourage greater dedication and loyalty to the Company.

The AGL PSP is administered by the Remuneration Committee comprising Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr Chou Tao-Hsiung, Joseph. There were conditional performance shares awards granted to the Participants on 27 December 2013. A summary of AGL PSP are set out on pages 26 and 27 of the Annual Report.

Dealings in Securities

The Company has adopted policies in line with Rule 1204(19) of the Catalist Rules on dealings in the Company's 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 year ended 31 March 2014 as specified in Chapter 9 of the Catalist Rules.

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").

Non-sponsor fees were paid to the Sponsor for the year ended 31 March 2014 for professional and services work arising from the placement in the financial year ended 31 March 2014 of approximately S$19,530.

Save as disclosed, no non-sponsor fees were paid to the Sponsor for the year ended 31 March 2014.

Use of Placement Proceeds

The net proceeds received by the Company of approximately S$14.4 million and approximately S$6.34 million from the issuance of 715,700,000 shares and 577,000,000 shares pursuant to a placement exercise made on 30 April 2013 and 8 January 2014 respectively have been fully utilized. The details of the use of proceeds were disclosed in the announcements made on 29 October 2013, 17 January 2014 and 30 May 2014. The following is the summary of the use of proceeds:

	577 million Placement Shares S$'000	715.7 million Placement Shares S$'000
Balance proceeds since disclosed in the last annual report dated 21 June 2013	-	9,050
Net proceeds disclosed in the announcement dated 8 January 2014	6,340	-
Less :		
• Finance or fund acquisitions, purchases or investments	3,271	6,020
• Working capital purposes	3,069	3,030
Balance proceeds	NIL	NIL

The above use of proceeds is in accordance with the intended use as stated in the announcement dated 30 April 2013 and the offer information statement dated 30 April 2013 in relation to the placement and subscription of an aggregate 715.7 million Placement Shares and announcement dated 8 January 2014 in relation to the placement of an aggregate 577 million Placement Shares.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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 year ended 31 March 2014 and the balance sheet of the Company as at 31 March 2014.

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 Mak Tin Sang	(Executive Director, appointed on 10 June 2013)
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 and performance shares" in this report, neither at the end of nor at any time during the financial year 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

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

	Direct interests			Deemed interests		
	At 1 April 2013, or date of appointment	At 31 March 2014	At 21 April 2014	At 1 April 2013, or date of appointment	At 31 March 2014	At 21 April 2014
Company						
Ordinary shares of HK$0.05 each fully paid						
Dr Chou Tao-Hsiung, Joseph	887,626	887,626	887,626	-	-	-
Mr Luk Chung Po, Terence	8,876,255	8,876,255	48,876,255	44,381,277	44,381,277	44,381,277
Mr Gao Xiangjun, Richard	1,506,000	1,506,000	1,506,000	-	-	-
Mr Mak Tin Sang	39,502	39,502	39,502	-	-	-

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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 and performance shares

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Performance shares

Pursuant to the Special General Meeting held on 26 July 2013, the shareholders approved the adoption of the Armarda Group Limited Performance Share Plan ("Armarda PSP") to issue shares ("Performance Shares"), which when added to the number of new shares issued and/or issuable and/or existing shares transferred and/or transferrable in respect of all Performance Shares granted under the Armarda PSP, and any other share scheme which the Company may implement from time to time shall not exceed fifteen per cent (15%) of the Company's total issued shares from time to time (excluding treasury shares), on the day preceding the grant date.

The Armarda PSP 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)

Under the Armarda PSP, Performance Shares represent the right of a participant to receive fully paid shares free of charge and are granted to eligible employees upon achieving certain approved performance targets ("Performance Targets"), within the stipulated performance period ("Performance Period"). Performance Targets are set based on medium term corporate objectives and approved by the Remuneration Committee. Performance Shares are released once the Remuneration Committee is satisfied that the Performance Targets have been achieved.

On 27 December 2013, the Company granted 150,000,000 Performance Shares with a weighted average share price of $0.0123 to eligible employees, for a Performance Period of 3 months from 27 December 2013 to 31 March 2014.

Share options and performance shares (Continued)

Performance shares (Continued)

The recipients of the Performance Shares granted, vested and cancelled during the financial year and Performance Share outstanding at the end of the financial year, were as follows:

	Balance as at 1 April 2013	Performance Shares granted during the year	Performance Shares vested during the year	Performance Shares cancelled during the year	Balance as at 31 March 2014
Directors of the Company					
Dr Chou Tao-Hsiung, Joseph	-	9,000,000	(9,000,000)	-	-
Mr Luk Chung Po, Terence	-	36,000,000	(36,000,000)	-	-
Mr Gao Xiangjun, Richard	-	18,000,000	(18,000,000)	-	-
Mr Mak Tin Sang	-	24,000,000	(24,000,000)	-	-
Mr Lee Joo Hai	-	6,000,000	(6,000,000)	-	-
Mr Phuah Lian Heng	-	5,000,000	(5,000,000)	-	-
Participants (receive 5% or more of the total number of Performance Shares granted)					
Ms Chu Yin Ling, Karen	-	16,000,000	(16,000,000)	-	-
Mr Luk Siu Fung, Mark	-	11,000,000	(11,000,000)	-	-
Participants (receive less than 5% of the total number of Performance Shares granted)					
Other employees	-	25,000,000	(25,000,000)	-	-
	-	150,000,000	(150,000,000)	-	-

By the end of financial year, an aggregate of 150,000,000 Performance Shares granted under the Armarda PSP were vested in full. The allotment of Performance Shares under the Armarda PSP has not been completed at the date of this report.

No Performance Shares have been granted to the controlling shareholders or their associates since the commencement of the Armarda PSP.

Warrants

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

Internal Control

Based on the reports submitted by the external auditor and internal auditors and the various management controls put in place, the Board with the concurrence of the Audit Committee is of opinion that the internal controls of the Company are adequate in addressing its financial, operational and compliance risks.

Audit committee

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

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

The Audit Committee 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 year ended 31 March 2014 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 has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

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.

In appointing the external auditors for the Company, subsidiaries and the associated companies, the Company has complied with Catalist Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

LUK CHUNG PO, TERENCE
Director and Chief Executive Officer

MAK TIN SANG
Director

23 June 2014

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 33 to 102 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 2014 and of the results, changes in equity and cash flows of the Group for the financial year then ended; 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

LUK CHUNG PO, TERENCE
Director and Chief Executive Officer

MAK TIN SANG
Director

23 June 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARMARDA GROUP LIMITED

Crowe Horwath

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 33 to 102, which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 March 2014, 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 year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which states that the Group registered a net loss of $88,225,000 (2013: $41,352,000) and negative operating cash flows of $70,037,000 (2013: $25,447,000) for the financial year ended 31 March 2014.

The Group scaled down its core business and ventured into the mobile satellite communication business in China via its 45% investment in China Satellite Mobile Communications Group Limited and its subsidiaries (collectively "China Satellite Group") since the last financial year. During the financial year ended 31 March 2014, China Satellite Group recorded losses of $21,117,000 (2013: $1,511,000). The ability of the Group to achieve profitability and generate positive operating cash flows in the foreseeable future is largely dependent on the ability of China Satellite Group in achieving the same.

Our opinion is not qualified in respect of this matter.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants

23 June 2014

BALANCE SHEETS

AS AT 31 MARCH 2014
(Amounts in Hong Kong dollar)

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	1,434	575	-	-
Intangible assets	5	2,790	3,534	-	-
Subsidiaries	6	-	-	-	-
Associates	7	175,323	185,748	169,432	156,834
Due from subsidiaries (non-trade)	8	-	-	-	92,732
Other investment	9	-	-	-	-
Other assets	10	998	17,513	-	-
		180,545	207,370	169,432	249,566
Current assets					
Trade and other receivables	11	118,224	17,588	75,029	198
Due from an associate (non-trade)	12	1,572	1,704	-	-
Cash and bank balances		10,178	30,008	4	4
		129,974	49,300	75,033	202
Non-current assets held for sale	13	-	8,474	-	-
		129,974	57,774	75,033	202
TOTAL ASSETS		310,519	265,144	244,465	249,768
LIABILITIES					
Current liabilities					
Trade and other payables	14	13,025	27,329	3,446	8,054
Due to a subsidiary (non-trade)	12	-	-	33,951	30,441
Lease obligations	15	156	251	-	-
Short-term borrowing	16	6,000	-	6,000	-
Income tax payable		2,897	2,843	-	-
		22,078	30,423	43,397	38,495
Non-current liability					
Deferred tax liabilities	17	3,237	2,037	-	-
TOTAL LIABILITIES		25,315	32,460	43,397	38,495
NET ASSETS		285,204	232,684	201,068	211,273

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

BALANCE SHEETS

AS AT 31 MARCH 2014
(Amounts in Hong Kong dollar)

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	191,476	126,191	191,476	126,191
Share premium	19	337,117	271,548	337,117	271,548
Contributed surplus	20	43,348	43,348	43,348	43,348
Translation reserve	21	32,838	31,975	-	-
Statutory reserve	22	5,863	5,863	-	-
Revaluation reserve	23	98	1,561	-	-
Share-based capital reserve	24	9,028	-	9,028	-
Other deficit	25	(49,466)	(49,466)	-	-
Accumulated losses	26	(285,098)	(198,336)	(379,901)	(229,814)
TOTAL EQUITY		285,204	232,684	201,068	211,273

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(Amounts in Hong Kong dollar)

	Note	2014 $'000	2013 $'000
Revenue	27	16,963	14,438
Other income	28	3,147	560
Personnel expenses	29	(18,786)	(8,116)
Depreciation of property, plant and equipment	4	(407)	(665)
Amortisation of intangible assets	5	(744)	(744)
Impairment of:			
- other investment	9	-	(2,831)
- investment in associates	7	(2,923)	-
Cost of purchases		(13,643)	(9,875)
Subcontracting fees		(743)	(2,073)
Other expenses	30	(48,988)	(29,539)
Finance costs – interest expense		(373)	(639)
Share of (loss) / profit of associates	7	(20,566)	1,211
Loss before tax	31	(87,063)	(38,273)
Income tax	32	(1,162)	(3,079)
Loss for the year		(88,225)	(41,352)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation difference arising from consolidation	21	397	(38)
Share of translation reserve of associates	21	466	207
Other comprehensive income for the year, net of tax		863	169
Total comprehensive loss for the year		(87,362)	(41,183)
Loss per share (cents)			
Basic	33(a)	(2.68)	(2.54)
Diluted	33(b)	(2.68)	(2.54)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

(Amounts in Hong Kong dollar)

2014
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 deficit	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 April 2013	126,191	271,548	43,348	31,975	5,863	1,561	-	(49,466)	(198,336)	232,684
Loss for the year	-	-	-	-	-	-	-	-	(88,225)	(88,225)
Other comprehensive income, net of tax	-	-	-	863	-	-	-	-	-	863
Transfer to accumulated losses, upon disposal	-	-	-	-	-	(1,463)	-	-	1,463	-
Total comprehensive loss	-	-	-	863	-	(1,463)	-	-	(86,762)	(87,362)
Contribution by and distributions to owners										
Issuance of shares	65,285	74,860	-	-	-	-	-	-	-	140,145
Share issuance expense	-	(9,291)	-	-	-	-	-	-	-	(9,291)
Performance share plan expenses	-	-	-	-	-	-	9,028	-	-	9,028
Total contributions by and distributions to owners	65,285	65,569	-	-	-	-	9,028	-	-	139,882
Balance at 31 March 2014	191,476	337,117	43,348	32,838	5,863	98	9,028	(49,466)	(285,098)	285,204

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(Amounts in Hong Kong dollar)

2013
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 deficit	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 April 2012	56,432	159,991	43,348	31,806	5,863	1,561	20,174	(49,466)	(169,317)	100,392
Loss for the year	-	-	-	-	-	-	-	-	(41,352)	(41,352)
Other comprehensive income, net of tax	-	-	-	169	-	-	-	-	-	169
Total comprehensive loss	-	-	-	169	-	-	-	-	(41,352)	(41,183)
Contribution by and distributions to owners										
Issuance of shares	69,759	117,292	-	-	-	-	(7,841)	-	-	179,210
Share issuance expense	-	(5,735)	-	-	-	-	-	-	-	(5,735)
Expiry of employee share options	-	-	-	-	-	-	(12,333)	-	12,333	-
Total contributions by and distributions to owners	69,759	111,557	-	-	-	-	(20,174)	-	12,333	173,475
Balance at 31 March 2013	126,191	271,548	43,348	31,975	5,863	1,561	-	(49,466)	(198,336)	232,684

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(Amounts in Hong Kong dollar)

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Loss before tax		(87,063)	(38,273)
Adjustments:			
Depreciation of property, plant and equipment	4	407	665
Amortisation of intangible assets	5	744	744
Fair value adjustment of investment property		-	267
Share of loss / (profit) of associates	7	20,566	(1,211)
(Gain) / Loss on disposal of property, plant and equipment		(23)	85
Gain on disposal of non-current assets held for sale		(2,858)	-
Impairment of other investment	9	-	2,831
Impairment of investment in associates		2,923	-
Interest expense		373	639
Interest income	28	(18)	(15)
Share based payment expense	30	-	1,120
Performance share plan expense		9,028	-
Operating loss before working capital changes		(55,921)	(33,148)
Trade and other receivables		(9,173)	10,266
Trade and other payables		(4,900)	(237)
Due from an associate (non-trade)		132	(1,704)
Cash used in operations		(69,862)	(24,823)
Interest paid		(193)	(639)
Interest income received		18	15
Net cash used in operating activities		(70,037)	(25,447)
Cash flows from investing activities			
Prepayment for software development fee	10	-	(7,965)
Proceeds from disposal of property, plant and equipment		115	33
Proceeds / Deposits received from disposal of non-current assets held for sale	13	1,622	9,864
Purchase of property, plant and equipment		(1,356)	(22)
Additional investment in an associate	7(B)	(12,598)	-
Acquisition of an associate	7	-	(15,558)
Convertible loan granted to a third party	11	(50,050)	-
Advances to third parties	11	(24,700)	-
Net cash used in investing activities		(86,967)	(13,648)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(Amounts in Hong Kong dollar)

	Note	2014 $'000	2013 $'000
Cash flows from financing activities			
Proceeds from issuance of new shares	18	138,373	67,242
Share issue expenses paid	18	(7,519)	(5,736)
Repayment of bank term loans		-	(5,506)
Repayment of lease obligations		(94)	(185)
Short-term borrowing from a third party	16	6,000	-
Net cash from financing activities		136,760	55,815
Net (decrease) / increase in cash and bank balances		(20,244)	16,720
Cash and bank balances at beginning of the year		30,008	13,089
Effects of exchange rate changes in cash and bank balances		414	199
Cash and bank balances at end of the year		10,178	30,008

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(Amounts in Hong Kong dollar unless otherwise stated)

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 6 to the financial statements.

The financial statements for the financial year ended 31 March 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 23 June 2014.

2. BASIS OF PREPARATION

The Group registered a net loss of $88,225,000 (2013: $41,352,000) and negative operating cash flows of $70,037,000 (2013: $25,447,000) for the financial year ended 31 March 2014.

The Group scaled down its core business and ventured into the mobile satellite communication business in China via its 45% investment in China Satellite Mobile Communications Group Limited and its subsidiaries (collectively "China Satellite Group") since the last financial year. During the financial year ended 31 March 2014, China Satellite Group recorded losses of $21,117,000 (2013: $1,511,000). The ability of the Group to achieve profitability and generate positive operating cash flows in the foreseeable future is largely dependent on the ability of China Satellite Group in achieving the same.

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 dollar ("$") and all values are rounded to the nearest thousand ($'000) as indicated.

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

On 1 April 2013, the Group adopted the new or amended IFRS and Interpretations of IFRS ("INT IFRS") 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 IFRS. The adoption of these new or amended IFRS and INT IFRS 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:

Amendments to IAS 1 - *Presentation of Items of Other Comprehensive Income ("OCI")*

The Group has applied the Amendments to IAS 1 which changes the grouping of items presented in OCI. The amendments affect the presentation of the consolidated statement of comprehensive income which has accordingly presents items which will not be reclassified subsequently in profit or loss separately from other items which may be reclassified subsequently to profit or loss. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements as the new definition of control does not result in any changes in the subsidiary / associate status or composition of the Group. The related judgements made by the Company are disclosed in this Note.

Amendments to IFRS 7 Disclosures – *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for first time in the current year. The amendments to IFRS7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

(Amounts in Hong Kong dollar unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities 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. As this is a disclosure standard, there is no impact to the financial position and financial performance of the Group other than the additional disclosure made in accordance with this new standard in Note 7.

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 IAS32 – *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendment to IAS36 – *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS27 – *Investment Entities*	1 January 2014
IFRIC 21 Levies	1 January 2014
Amendment to IFRS 2 – *Share-based Payment*	1 July 2014*
Amendment to IFRS 3 – *Business Combination*	1 July 2014^
Amendment to IFRS 8 – *Operating Segments*	1 July 2014
Amendment to IFRS 13 – *Fair Value Measurement*	1 July 2014
Amendment to IAS 16 – *Property, Plant and Equipment*	1 July 2014
Amendment to IAS 19 – *Employee Benefits*	1 July 2014
Amendment to IAS 24 – *Related Party Disclosures*	1 July 2014
Amendment to IAS 38 – *Intangible Assets*	1 July 2014
Amendment to IAS 40 – *Investment Property*	1 July 2014
IFRS 9 Financial Instruments	1 January 2015
Amendments to IFRS 9 and IFRS 7 – *Mandatory Effective Date of IFRS 9 and Transition Disclosures*	1 January 2015
IFRS 14 – *Regulatory Deferral Accounts*	1 January 2016
Amendment to IFRS 11 – *Joint Arrangements*	1 January 2016
IFRS 15 – *Revenue from Contracts with Customers*	1 January 2017

* *The amendment applies prospectively to share-based payment transactions with a grant date on or after 1 July 2014*

^ *The amendment applies prospectively to business combination for which the acquisition date is on or after 1 July 2014*

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Except for IFRS 9 and IFRS 15, 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 IFRS 9 and IFRS 15 are described below.

IFRS 9 *Financial Instruments*

IFRS 9 applies to clarification and measurement of financial assets and financial liabilities as defined in IAS39. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed.

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* applies to all contracts with customers except for: leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; insurance contracts within the scope of IFRS 4 Insurance Contracts; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In particular, the Group will need to identify the performance obligations in the contract, allocate the transaction price and recognise revenue when (or as) the performance obligation is satisfied. The Group has yet to assess IFRS 15's full impact.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- had power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statement of the subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(a) Basis of consolidation (Continued)

When the Group losses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed off the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Acquisition of business

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(c) Disposals of subsidiaries or business

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.

(ii) Associates

Associates are those entities over which the Group has significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee, but is not control or joint control over the policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associates are 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 associates 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 associates' 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 associates 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 associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(ii) Associates (Continued)

Investments in associates are derecognised when the Group losses 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 associates

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

Currency translation

(i) 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 dollar, which is the functional currency of the Company.

(ii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Hong Kong dollar 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 property, 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.

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

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Leasehold properties	Shorter of 20 years or the lease term	-
Leasehold improvements	Shorter of 5 years or the lease term	-
Motor vehicles	5	5% to 10%
Furniture, fixtures, computer and other equipments	5	5% to 10%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The residual value, 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 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 associates is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associates 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.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(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 either finite or indefinite.

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.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

The estimated useful lives are as follows:

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

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

Other assets

Other assets represent deposit for acquisition of equipment, prepayment for software development fee and transferable life memberships of golf club which are stated at cost less impairment losses.

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

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(i) Initial recognition and measurement (Continued)

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.

(ii) Subsequent measurement

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

(a) 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.

(b) 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 other 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.

(iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Derecognition (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(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.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when the sale is highly probable and the assets are available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification. Except for assets already carried at fair value such as investment property, non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These non-current assets are not depreciated or amortised while they are classified as held for sale.

Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit and loss.

Financial liabilities

(i) 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.

(ii) 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.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases – The Group 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital and share premium

Proceeds from issuance of ordinary shares are classified as share capital (nominal value) and share premium in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share premium.

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 services is recognised over the period in which the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

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 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

Performance shares

The performance share plans of the Group are accounted for either as equity-settled share-based payments or cash-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant, whereas cash-settled share-based payments are measured at current fair value at the end of each reporting period. The performance share expense is recognised in the income statement on a straight-line basis over the vesting period.

At the end of reporting period, the Group revises its estimates of the number of performance shares that the participants are expected to receive based on non-market vesting conditions. The difference is charged or credited to the income statement, with a corresponding adjustment to equity or liability for equity-settled and cash-settled share-based payments respectively.

Share-based payments transactions with parties other than employees

When the Group enters into equity-settled share-based payment transactions with parties other than employees, the Group measures the goods and services received, and the corresponding increase in equity, directly at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the fair value of the goods and services received, and the corresponding increase in equity shall be measured by reference to the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counter party renders service.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(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).

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 judgements

Estimates, assumptions and 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 5 to 10 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 associates are disclosed in Note 7 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(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 37(iii) to the financial statements.

(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 2014 are disclosed in Note 17.

The Group has unrecognised tax losses carried forward amounting $63,116,000 (2013: $49,571,000). Tax losses relating to a subsidiary in Hong Kong, with a history of losses that do not expire, may not be used to offset taxable income elsewhere in the Group. The subsidiary has 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 year would increase by $10,414,000 (2013: $8,179,000) (Note 17).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(d) Performance shares

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Significant influence over an associate

The Group has determined China Satellite Group as its associate, based on an evaluation under the new IFRS 10 *Consolidated Financial Statements*, effective for annual periods beginning on or after 1 January 2013.

The Group holds 45% of the voting rights of China Satellite Group and the remaining 55% is held by 11 other shareholders, each holding 1.1% to 9.0% individually. Notwithstanding that the Group is the single largest shareholder, the Group is not able to exercise control over China Satellite Group as a result of a contractual agreement among the 11 shareholders to act in concert during shareholders' meetings. The carrying amount of the investment in China Satellite Group is disclosed in Note 7.

(b) Fair value of derivative on convertible loan

As disclosed in Note 11 to the financial statements, the Company granted a loan of $50.05 million to a third party individual with a conversion option to convert the loan into 94.5% equity shares in a special purpose entity wholly-owned by the third party individual. As the conversion option is not transferrable and is currently not exercisable as the telecommunication industry is restricted only to domestic PRC enterprises, management concluded that the conversion option has no intrinsic value and does not represent substantive potential rights and power over the special purpose entity.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties	Leasehold improvements	Motor vehicles	Furniture, fixtures, computer and other equipments	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
As at 1 April 2012	5,278	2,968	1,631	14,536	24,413
Additions	-	-	-	22	22
Disposals	-	-	(352)	(800)	(1,152)
Classified as non-current assets held for sale (Note 13)	(5,318)	(2,692)	-	-	(8,010)
Currency translation differences	40	20	1	71	132
As at 31 March 2013	-	296	1,280	13,829	15,405
As at 1 April 2013	-	296	1,280	13,829	15,405
Additions	-	-	1,161	195	1,356
Disposals	-	-	(457)	(469)	(926)
Written off	-	-	-	(3,455)	(3,455)
Currency translation differences	-	-	4	174	178
As at 31 March 2014	-	296	1,988	10,274	12,558
Accumulated depreciation					
As at 1 April 2012	2,019	2,968	1,025	14,151	20,163
Charge for the year	344	-	229	92	665
Disposal	-	-	(317)	(717)	(1,034)
Classified as non-current assets held for sale (Note 13)	(2,382)	(2,692)	-	-	(5,074)
Currency translation differences	19	20	1	70	110
As at 31 March 2013	-	296	938	13,596	14,830
As at 1 April 2013	-	296	938	13,596	14,830
Charge for the year	-	-	303	104	407
Disposal	-	-	(412)	(422)	(834)
Written off	-	-	-	(3,455)	(3,455)
Currency translation differences	-	-	5	171	176
As at 31 March 2014	-	296	834	9,994	11,124
Net carrying amount					
As at 31 March 2014	-	-	1,154	280	1,434
As at 31 March 2013	-	-	342	233	575
As at 1 April 2012	3,259	-	606	385	4,250

Assets held under finance leases

The carrying amount of motor vehicles held under finance lease at the balance sheet date was $168,000 (2013: $342,000) (Note15).

5. INTANGIBLE ASSETS

Group	Customer relationship	Exclusive distributorship rights	Total
	$'000	$'000	$'000
Cost			
As at 1 April 2012, 31 March 2013 and 31 March 2014	40,859	98,293	139,152
Accumulated amortisation			
As at 1 April 2012	36,581	98,293	134,874
Charge for the year	744	-	744
As at 31 March 2013	37,325	98,293	135,618
As at 1 April 2013	37,325	98,293	135,618
Charge for the year	744	-	744
As at 31 March 2014	38,069	98,293	136,362
Net carrying amount			
As at 31 March 2014	2,790	-	2,790
As at 31 March 2013	3,534	-	3,534
As at 1 April 2012	4,278	-	4,278

(a) *Customer relationship*

Customer relationship represents the value of the customer base identified when a subsidiary, Brilliant Time Limited was acquired in 2008. The useful life of customer relationship is estimated to be finite and is amortised over a period of 10 years, effective from January 2008.

(b) *Exclusive distributorship rights*

The exclusive distributorship rights represents the value of the rights identified when China RFID Limited ("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.

The agreement signed between the Sole Customer and the Ultimate Customer was for a 2-year period, and has expired on September 2011. The exclusive distributorship rights were fully amortised in the financial period ended 31 March 2012.

The exclusive distributorship rights are subsequently renewed in January 2013 at no extra cost for a 2-year period.

6. SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost	67,633	67,633
Impairment loss (Note A)	(67,633)	(67,633)
	-	-

Details of the Group's subsidiaries as at 31 March 2014 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%) 2014	2013
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	100
Held by Armarda Technology Services Limited				
Armarda Technology (Hong Kong) Limited ("ATHK") [iv]	Provision of IT consulting and IT support services	Hong Kong	100	100
Held by ATHK				
Armarda Technology (Zhuhai) Limited ("ATZH") [iii] [iv]	Provision of IT consulting and IT support services	PRC	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] Statutory audit performed by Zhuhai Huaqi Certified Public Accountants.

[iv] Audited by Crowe Horwath (Hong Kong) CPA Limited and reviewed by Crowe Horwath First Trust LLP for purpose of expressing an opinion on the consolidated financial statements.

Note A - Impairment testing of investments in subsidiaries

Certain subsidiaries continue to sustain losses during the financial year. The carrying amount of the investments in subsidiaries was fully impaired.

7. ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
At beginning of the year	185,748	27,496	156,834	-
Acquisition of an associate (Note A)	-	156,834	-	156,834
Additional capital injection (Note B)	12,598	-	12,598	-
Share of (loss) / profit	(20,566)	1,211	-	-
Share of translation reserve (Note 21)	466	207	-	-
Impairment on goodwill	(2,923)	-	-	-
At end of the year	175,323	185,748	169,432	156,834
Representing:				
Goodwill	160,548	163,471		
Share of net assets	14,775	22,277		
	175,323	185,748		

Details of the Group's associates as at 31 March 2014 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%) 2014	2013
Held by the Company				
China Satellite Mobile Communications Group Limited ("CSMCG") [(1)] (Note A)	Investment holding	BVI	45	45
Held by CSMCG				
China Mobile Satellite Communication Group Ltd ("CMSCG") [(2)]	Provision of mobile satellite communication services and distribution of satellite phones	Hong Kong	45	45
Held by CMSCG				
Suraya Network Technology (Shanghai) Co., Ltd [(2)] [(3)]	Provision of mobile satellite communication services and distribution of satellite phones	PRC	45	45
Held by a subsidiary, ATHK				
Fesco E-HR Service (Beijing) Co., Ltd ("Fesco E-HR") [(2)] [(3)]	Provision of IT consulting, IT support services, technical trainings and human resources services	PRC	45	45

(1) Not required to be audited under the laws of the British Virgin Islands ("BVI"). Reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

(2) Audited by Crowe Horwath (HK) CPA Limited and reviewed by Crowe Horwath First Trust LLP for purpose of expressing an opinion on the consolidated financial statements.

(3) Statutory audit performed by Shanghai Dragon Certified Public Accountants and Beijing Zheng Ze Tong Certified Public Accountants respectively.

7. ASSOCIATES (Continued)

Note A

As approved by the shareholders of the Company on 21 December 2011, the Group entered into a sale and purchase agreement ("SPA") to acquire 45% equity interest in CSMCG and its subsidiaries ("China Satellite Group") from certain vendors ("Vendors") with certain conditions precedent. On 28 November 2012, with the fulfilment of all the conditions precedent, and the allotment of the Company's shares as part of the consideration of the acquisition, the Company completed the acquisition of China Satellite Group and accordingly, China Satellite Group became an associate of the Group, effective from that date.

The total purchase consideration amounted to $156,834,000 (inclusive of directly attributable costs of $985,000), which is determined on a willing-buyer, willing-seller basis, and is satisfied by way of:

a) Issuance of loan notes of $45,000,000 ("Loan Notes")

   Loan Notes were issued on 23 July 2012, and subsequently the Company and the Vendors agreed mutually that the Loan Notes are to be settled by a contra arrangement of RMB25 million (equivalent to $30,427,500), of which the Vendors agreed to take over receivables due and payable to the Group of the equivalent value, and the remaining amount of $14,572,500 settled by way of cash during 2013.

b) Issuance of 920,000,000 fully paid-up ordinary shares ("Consideration Shares")

   The Consideration Shares were allotted on 28 November 2012 at the prevailing market price of S$0.019 (equivalent to $0.120), amounting to approximately $110,849,000 (Note 18).

Under the SPA, the Vendors agreed to grant the Company a call option to purchase the remaining 55% equity interest in China Satellite Group from the Vendors, at the sole and absolute discretion of the Company ("55% Call Option"). The Company has the right to exercise the 55% Call Option upon the completion of certain target milestone events ("Target Milestones") before the specified long-stop date. During the year, the specified long-stop date of the 55% Call Option lapsed on 31 January 2014.

Note B

During the year, China Satellite Group increased its share capital from $4,000,000 to $32,000,000 for working capital purposes. Accordingly, on 29 October 2013, the Company injected additional cash contribution, amounting to $12,598,000, in equal proportion to its equity shareholdings in China Satellite Group.

Impairment testing for China Satellite Group

During the year, management performed an impairment review for the investment in China Satellite Group as the associate reported net losses of $21,117,000 (2013: $1,511,000) for the year. The recoverable amount of the cost of investment in China Satellite Group has been determined using value-in-use calculations based on a 10-year cash flow projection from financial budgets approved by management. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the 10-year period are 30% and 0% (2013: 50% and 0%) respectively.

7. ASSOCIATES (Continued)

The calculation of the value-in-use is most sensitive to the following assumption:

Number of users: Number of users is based on a market analysis performed by an independent information and measurement company, taking into consideration of, *interalia*, the current operating capacity of existing satellites in the PRC and management's estimate of China Satellite Group's projected market share of 10% [1] (2013: 12.5%) in the mobile satellite industry.

[1] Management has performed a sensitivity analysis of the number of users and concluded that no impairment charge is required as a reduction of up to 62% (2013: 50%) in the estimated market share, i.e. 6.2% (2013: 6.25%), would still result in the recoverable amount exceeding the carrying amount of the investment as at 31 March 2014.

Impairment testing for Fesco E-HR

The recoverable amount of the cost of investment in Fesco E-HR has been determined using value-in-use calculations based on a 5-year cash flow projection from financial budgets approved by management. A terminal value, which is the present value of all future cash flows, assuming a perpetual constant growth rate, is also applied in the fifth year. The pre-tax discount rate applied to the cash flow projection is 14% (2013: 14%) and the forecasted growth rate used to extrapolate cash flow projections beyond the 5-year period is 5% (2013: 5%). During the year, an impairment loss of $2,923,000 is recognised in the profit or loss included in "Provision of IT services" segment as the recoverable amount is below the carrying amount of the investment.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the investment:

Revenue growth rate: Revenue growth rate in the 5-year budgets are based on future increase in management fees income of 10% - 15%, as agreed by the majority shareholder of Fesco E-HR.

Discount rate: Discount rate reflects the weighted average cost of capital (WACC) of Fesco E-HR, representing the current market assessment of the risks specific to Fesco E-HR.

Sensitivity to changes in assumptions

If the revenue growth rate and discount rate adopted in the cash flow project is to deviate by 1% respectively, the Group's loss for the year will increase / (decrease) by:

2014	Effect of +1% change to profit and loss	Effect of -1% change to profit and loss
	$'000	$'000
Change in revenue growth rate	(2,491)	1,179
Change in discount rate	1,097	(2,838)

In 2013, a 1% deviation in revenue growth rate and discount rate would not result in an impairment loss. As such, sensitivity analysis is not prepared.

7. ASSOCIATES (Continued)

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

	Fesco E-HR		China Satellite Group	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current assets	14,210[(a)]	46,443	14,741	13,069
Non-current assets	27,098	16,951	1,325	7
Current liabilities	5,622	4,033	11,427	7,782
Non-current liabilities	-	-	7,493	15,150
Revenue	39,276	47,952	9,376	1,967
Net (loss) / profit for the year	(24,756)[(a)]	4,291	(21,117)	(1,511)
Other comprehensive income	1,036	461	-	-
Total comprehensive (loss) / income	(23,720)	4,752	(21,117)	(1,511)

(a) Included in Fesco E-HR's balance sheet are interest-free advances to certain third parties ("Borrowers"), amounting to $30,632,000 (2013: $20,207,000). The management, having evaluated the Group's effective credit exposure of $30,632,000 (2013: $20,207,000), taking into account, *interalia*, the credibility, financial standing and commitment to the repayment of monies of the Borrowers, has provided allowance for impairment loss amounting to $20,568,000 (2013: Nil) in the books of Fesco E-HR and the share of impairment loss in proportion to the 45% equity interest held by the Group amounting to $9,256,000 (2013: Nil) has been included in the 'Share of (loss) / profit of associates' in the consolidated statement of comprehensive income.

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidation financial statements:

	Group	
	2014	2013
	$'000	$'000
Net assets of the associates	32,832	49,505
Proportion of the Group's ownership interest in the associates	45%	45%
Share of net assets of the associates	14,775	22,277
Goodwill at acquisition	163,471	163,471
Full impairment loss of goodwill in Fesco E-HR	(2,923)	-
	175,323	185,748

8. DUE FROM SUBSIDIARIES (NON-TRADE)

	Company	
	2014	2013
	$'000	$'000
Due from subsidiaries	284,545	268,754
Less: Impairment loss	(284,545)	(176,022)
	-	92,732

Amounts due from subsidiaries are 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 Nil (2013: $176,022,000) which are interest-bearing at Nil (2013: 5%) per annum.

Certain subsidiaries remained dormant and continued to sustain losses during the financial year. Accordingly, the amounts due from these subsidiaries, amounting to $284,545,000 (2013: $176,022,000) were impaired.

9. OTHER INVESTMENT

	Group	
	2014	2013
	$'000	$'000
Available-for-sale financial asset, at cost	13,801	12,728
Disposal of available-for-sale financial asset	-	(35)
Currency translation difference	-	313
Less: Impairment loss	(13,801)	(13,006)
	-	-

The movement in impairment loss is as follows:

	Group	
	2014	2013
	$'000	$'000
Balance at beginning of the year	13,006	10,175
Impairment loss made during the year	-	2,831
Currency translation difference	795	-
Balance at end of the year	13,801	13,006

Available for sale financial asset represents the Group's authorisation to use a software system and capital advances to a third party ("Vendor") of $13,801,000 (2013: $13,006,000). In return, the Group is entitled to share 28% of the Vendor's advertising revenue for 15 years, commencing from 2010.

As the Vendor's advertising operations declined significantly, full impairment has been recognised by the end of previous financial year as it is not probable that the investment will be recoverable.

10. OTHER ASSETS

	Group	
	2014	2013
	$'000	$'000
Deposit for acquisition of equipment [1]	-	8,565
Prepayment for software development fee [2]	-	7,965
Golf club membership	998	983
	998	17,513

[1] Deposit for acquisition of equipment pertains to the establishment of a customer service and call support centre ("Call Support Centre") in the PRC to provide call support services to the satellite subscribers of an associate, China Satellite Group. During the year, the project was cancelled due to changes in management's plan to outsource the support function, resulting in a cancellation fee of $2,830,000 recognised in profit or loss. At the balance sheet date, the deposit of $9,614,000 (net of partial cancellation fee of $1,888,000) was classified as other receivables as disclosed in Note 11 and is expected to be refunded within the next financial year.

[2] Prepayment for software development fee pertains to a prepaid card top-up and client account management system in relation to the mobile satellite communication operation of China Satellite Group. During the year, the project was cancelled due to changes in management's plan to outsource the support function, resulting in a cancellation fee of $2,698,000 recognised in profit or loss. At the balance sheet date, the prepayment of $9,186,000 was classified as other receivables as disclosed in Note 11 and is expected to be refunded within the next financial year.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables	5,742	7,199	-	-
Other receivables [1]	35,135	3,574	-	-
Prepayments [2]	472	2,273	279	198
Deposits [2]	5,759	8,111	-	-
Convertible loan receivable [3]	50,050	-	50,050	-
Advances to third parties [4]	24,700	-	24,700	-
	121,858	21,157	75,029	198
Less: Allowance for impairment loss	(3,634)	(3,569)	-	-
	118,224	17,588	75,029	198

[1] Included in other receivables are refundable deposit for acquisition of equipment and refundable prepayment for software development amounting to $9,614,000 (2013: Nil) and $9,186,000 (2013: Nil) respectively as disclosed in Note 10.

11. TRADE AND OTHER RECEIVABLES (Continued)

(2) Upon the renewal of the exclusive distribution rights in January 2013 for a 2-year period (Note 5), a subsidiary of the Group made a prepayment for an initial order of RFID chips amounting to Nil (2013: $2,000,000) and a deposit amounting to $5,288,000 (2013: $7,500,000) for future order of RFID chips. The deposit is refundable at the end of the term of the exclusive distribution rights.

(3) During the financial year ended 31 March 2014, the Company granted a convertible loan receivable ("Loan") of $50.05 million to a third party individual ("Shareholder") to acquire 41.9% effective equity interest in a company ("PRC Company"), via a wholly-owned special purpose entity ("SPV") incorporated by the Shareholder. The PRC Company is principally engaged in carrying on telecommunication business under restricted operating license in China which is highly complementary to the current mobile satellite services operated by the Company's associate, China Satellite Group.

Initially upon incorporation of the SPV on 6 June 2013, the Shareholder appointed one of the Company's executive directors ("Nominee Director") as the legal representative and sole director of the SPV, and to hold the shares on behalf of the Shareholder, to ensure the Company's access to important project related information of the PRC Company. The management has taken specific measures to transfer such trustee shares back to the Shareholder and the Nominee Director to resign as the sole director and legal representative of the SPV in the near foreseeable future.

The Loan is secured by 94.5% equity interest in the SPV with a conversion option, at the Company's discretion, to convert the Loan into 94.5% equity interest in the SPV, equivalent to the 41.9% effective equity interest in the PRC Company, in the event that the PRC regulatory authority sanctions foreign invested enterprises to the restricted telecommunication industry. The Loan is repayable on 25 March 2015 and interest is charged at 4.2% per annum. As the conversion option is not transferrable and is currently not exercisable as the telecommunication industry is restricted only to domestic PRC enterprises, management concluded that the conversion option has no intrinsic value, and thus, the Company does not have any substantive potential voting rights and power over the PRC Company.

(4) During the year, the Company granted interest-free advances amounting to $24,700,000 (2013: Nil) to certain shareholders of China Satellite Group. The advances are secured by 24.34% equity interest in China Satellite Group and repayable within 12 months.

12. DUE FROM AN ASSOCIATE / DUE TO A SUBSIDIARY (NON-TRADE)

These balances are interest-free, unsecured and repayable on demand.

13. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2014	2013
	$'000	$'000
At beginning of year	8,474	-
Transfer from property, plant and equipment (Note 4)	-	2,936
Transfer from investment property	-	5,538
Currency translation difference	154	-
Disposal	(8,628)	-
At end of year	-	8,474

In March 2013, a subsidiary entered into sale and purchase agreements with two third parties to dispose its two levels of office space in a commercial building in Zhuhai, PRC, included in property, plant and equipment, and investment property respectively. The disposal is aligned with the Group's plan to downsize its core business. Deposit of $9,864,000 has been received in previous year (Note 14).

During the year, the disposals have been completed and the legal titles of the properties have been transferred to the respective buyers. A gain on disposal of $2,858,000 has been recognised in the profit or loss. In addition, the corresponding revaluation reserve (Note 23) has been transferred to accumulated losses upon derecognition of the non-current assets held for sale.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables	1,968	2,392	-	-
Other payables	4,438	10,968	2,466	6,604
Accrued operating expenses	5,990	3,406	980	751
Deposits (1)	629	9,864	-	-
Due to directors (non-trade) (2)	-	699	-	699
	13,025	27,329	3,446	8,054

(1) Included in the balance in previous year are deposits received for the disposal of leasehold properties classified as non-current assets held for sale amounting to $9,864,000. This amount have been offset upon the derecognition of the non-current assets held for sale (Note 13) in current year.

(2) Amounts due to directors are interest-free, unsecured and repayable on demand.

15. LEASE OBLIGATIONS

Group	Minimum lease payments	Interest	Present value of payments
	$'000	$'000	$'000
2014			
Current portion:			
- Not later than 1 year	176	(20)	156
2013			
Current portion:			
- Not later than 1 year	282	(31)	251

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, but has been classified as short-term because the lease agreements contain a clause which gives the lender the right to demand repayment at any time, at its sole discretion and irrespective of whether a default event has occurred. 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 is at 2.5% (2013: 2.5%) per annum.

16. SHORT-TERM BORROWING

Borrowing from a third party is guaranteed by a director of the Company. It bears interest at 12% per annum and is repayable on 16 April 2014. The repayment date has been extended for 6 months subsequent to year end.

17. DEFERRED TAX LIABILITIES

	Group	
	2014	2013
	$'000	$'000
At beginning of the year	2,037	1,291
Recognised in the profit or loss (Note 32)	1,162	729
Currency translation difference	38	17
At end of the year	3,237	2,037

17. DEFERRED TAX LIABILITIES (Continued)

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

Deferred tax liabilities of the Group	Trade receivables	Asset revaluation of investment property / non-current asset held for sale	Others	Total
	$'000	$'000	$'000	$'000
2014				
At beginning of the year	1,372	652	13	2,037
Recognised in the profit or loss	1,704	(662)	120	1,162
Currency translation difference	25	10	3	38
At end of the year	3,101	-	136	3,237
2013				
At beginning of the year	657	648	(14)	1,291
Recognised in the profit or loss	703	-	26	729
Currency translation difference	12	4	1	17
At end of the year	1,372	652	13	2,037

The Group has unused tax losses of $63,116,000 (2013: $49,571,000). 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.

18. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of ordinary shares of $0.05 each	$'000	Number of ordinary shares of $0.05 each	$'000
Authorised:				
At beginning and end of the year	10,000,000,000	500,000	10,000,000,000	500,000
Issued and fully paid:				
At beginning of the year	2,523,823,474	126,191	1,128,640,474	56,432
Issued for cash (i)	1,292,700,000	64,635	429,500,000	21,475
Issued for acquisition of China Satellite Group (ii)	-	-	920,000,000	46,000
Issued for share based payment (iii)	13,000,000	650	45,683,000	2,284
At end of the year	3,829,523,474	191,476	2,523,823,474	126,191

18. SHARE CAPITAL (Continued)

The ordinary shares of the Company carry par value of $0.05 each. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The newly issued shares rank *pari passu* in all respects with previously issued shares.

(i) **2014**

On 30 April 2013, the Company issued an aggregate of 715,700,000 new ordinary shares of $0.05 each by way of placement of 410,000,000 new ordinary shares at an issue price of S$0.0217 (equivalent to $0.136) for each placement share and an offer for subscription with eight independent investors of 305,700,000 new ordinary shares at an issue price of S$0.0217 for each subscription share.

On 8 January 2014, the Company issued 577,000,000 new ordinary shares of $0.05 each by way of placement at an issue price of S$0.0115 (equivalent to $0.07) for each placement share.

The net proceeds from the shares issued after deducting issue costs, amounted to $130,854,000.

2013

On 31 January 2013, the Company issued an aggregate of 263,500,000 new ordinary shares of $0.05 each by way of placement of 147,400,000 new ordinary shares at an issue price of S$0.0216 (equivalent to $0.135) for each placement share and an offer for subscription of 116,100,000 new ordinary shares at an issue price of S$0.0216 for each subscription share.

The net proceeds from the shares issued amounted to $61,506,000, net of issue costs of $5,736,000.

(ii) **2013**

On 28 November 2012, the Company issued 920,000,000 ordinary shares of $0.05 each to the Vendors in relation to the acquisition of 45% of the equity interest in China Satellite Group, amounting to $110,849,000 (Note 8) calculated at the prevailing market price of S$0.019 (equivalent to $0.120).

(iii) **2014**

On 23 July 2013, the Company issued 13,000,000 new ordinary shares of $0.05 each to Asian Corporate Advisors Pte. Ltd. at an issue price of S$0.0217 (equivalent to $0.136) each in relation to, *inter alia,* the professional work and services for placement and subscription of 715,700,000 ordinary shares in note (i) above.

2013

On 1 October 2012, the Company issued 10,683,000 ordinary shares of $0.05 each at an issue price of S$0.0167 each in relation to commission payable to a fund raising agent, being 3.5% of the aggregate amount of the proceeds raised from the placement / subscription of 166,000,000 ordinary shares in the financial year ended 31 March 2013, amounting to $1,120,000 which was recognised as expenses in 2013.

On 17 July 2012, the Company issued 35,000,000 new ordinary shares of $0.05 each to its financial advisor based on the prevailing market price of S$0.019 (equivalent to $0.120) as professional fees in relation to the acquisition of 45% equity interest in China Satellite Group, as approved by the shareholders and recognised as share-based payment expense amounting to $7,841,000 in the financial period ended 31 March 2012.

(Amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL (Continued)

Performance shares

Pursuant to the Special General Meeting held on 26 July 2013, the shareholders approved the adoption of the Armarda Group Limited Performance Share Plan ("Armarda PSP") to issue shares ("Performance Shares"), which when added to the number of new shares issued and/or issuable and/or existing shares transferred and/or transferrable in respect of all Performance Shares granted under the Armarda PSP, and any other share scheme which the Company may implement from time to time shall not exceed fifteen per cent (15%) of the Company's total issued shares from time to time (excluding treasury shares), on the day preceding the grant date.

On 27 December 2013, the Company granted 150,000,000 Performance Shares with a weighted average share price of S$0.0123 to eligible employees provided that certain prescribed performance targets ("Performance Targets") are met within the performance period of 3 months from 27 December 2013 to 31 March 2014. Performance Targets are set based on medium term corporate objectives and approved by the Remuneration Committee. Performance Shares are released once the Remuneration Committee is satisfied that the Performance Targets have been achieved.

The recipients of the Performance Shares granted, vested and cancelled during the financial year and Performance Share outstanding at the end of the financial year, were as follows:

	Balance as at 1 April 2013	Performance Shares granted during the year	Performance Shares vested during the year	Performance Shares cancelled during the year	Balance as at 31 March 2014
Executive Directors	-	78,000,000	(78,000,000)	-	-
Non-executive Directors	-	20,000,000	(20,000,000)	-	-
Senior management	-	36,800,000	(36,800,000)	-	-
Others	-	15,200,000	(15,200,000)	-	-
	-	150,000,000	(150,000,000)	-	-

By the end of the financial year, an aggregate of 150,000,000 Performance Shares granted under the Armarda PSP were vested in full. The allotment of Performance Shares under the Armarda PSP has not been completed at the date of this report. The fair value of the Performance Shares granted on 27 December 2013 amounted to $0.060 per share (equivalent to SGD 0.010), totalling $9,028,000, was recognised as an expense for the current financial year.

18. SHARE CAPITAL (Continued)

The fair value of the Performance Shares is estimated using Black-Scholes Model at measurement date, which is the grant date for the equity-settled share-based payment. The following table lists the inputs and major assumptions of the valuation used by an independent valuer:

Grant date	27/12/2013
Performance period	27/12/2013 to 31/03/2014
Underlying price	SGD 0.012
Strike price	SGD 0.012
Risk free rate	0.3%
Dividend yield	0.0%
Expected volatility	89.0%

19. SHARE PREMIUM

	Group and Company	
	2014	2013
	$'000	$'000
At beginning of the year	271,548	159,991
Issuance of new ordinary shares:		
- for cash (Note 18 (i))	73,738	45,767
- for acquisition of an associate, China Satellite Group (Note 18 (ii))	-	64,849
- for share-based payment (Note 18 (iii))	1,122	6,677
Less: Share issue cost [a]	(9,291)	(5,736)
At end of the year	337,117	271,548

[a] An amount of $1,772,000 (2013: Nil) was satisfied by share-based payments transaction by issuing 13,000,000 new ordinary shares to the Company's financial advisor (Note 18 (iii)).

20. CONTRIBUTED SURPLUS

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 2010 to net off against the accumulated losses of the Company.

21. TRANSLATION RESERVE

	Group	
	2014	2013
	$'000	$'000
At beginning of the year	31,975	31,806
Net currency translation difference of financial statements of foreign subsidiaries	397	(38)
Share of translation reserve of associates (Note 7)	466	207
At end of the year	32,838	31,975

22. 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 subsidiary, 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.

23. REVALUATION RESERVE

	Group	
	2014	2013
	$'000	$'000
At beginning of the year	1,561	1,561
Less: Transfer of revaluation reserve upon disposal of non-current assets held for sale to accumulated losses (Note 26)	(1,463)	-
At end of the year	98	1,561

24. SHARE-BASED CAPITAL RESERVE

	Group and Company	
	2014	2013
	$'000	$'000
At beginning of the year	-	20,174
Professional fees shares [i]	-	(7,841)
Employee share option scheme		
- Transfer to accumulated losses for expired / lapsed options (Note 26)	-	(12,333)
Performance share plan (Notes 18 and 29)	9,028	-
At end of the year	9,028	-

(i) In 2012, the Company entered into an agreement with its financial advisor in relation to the acquisition of 45% interest in an associate, China Satellite Group (Note 7) 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. During the previous year, the Company allotted the 35,000,000 new ordinary shares (Note 18 (iii)) and transferred the amount to share capital and share premium account.

25. OTHER DEFICIT

	Group	
	2014	2013
	$'000	$'000
At beginning and end of the year	(49,466)	(49,466)

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

26. ACCUMULATED LOSSES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
At beginning of the year	(198,336)	(169,317)	(229,814)	(222,252)
Loss for the year	(88,225)	(41,352)	(150,087)	(19,895)
Transfer of revaluation reserve upon disposal of non-current assets held for sale (Note 23)	1,463	-	-	-
Employee share option expired / lapsed during the year (Note 24)	-	12,333	-	12,333
At end of the year	(285,098)	(198,336)	(379,901)	(229,814)

27. REVENUE

	Group	
	2014	2013
	$'000	$'000
Sale of equipment and electronic chips	15,725	11,566
Revenue from services	1,238	2,872
	16,963	14,438

28. OTHER INCOME

	Group	
	2014	2013
	$'000	$'000
Foreign exchange gain, net	-	372
Gain on disposal of property, plant and equipment	23	-
Gain on disposal of non-current assets held for sale	2,858	-
Interest income	18	15
Rental income from investment property	-	172
Others	248	1
	3,147	560

29. PERSONNEL EXPENSES

	Group	
	2014	2013
	$'000	$'000
Salaries and allowances	8,974	7,486
Performance share plan (Note 18 and Note 24)	9,028	-
Contributions to defined contribution retirement plans	385	448
Other welfare and benefits	399	182
	18,786	8,116

Personnel expenses include directors' remuneration as disclosed in Note 31 and Note 34.

30. OTHER EXPENSES

	Group	
	2014	2013
	$'000	$'000
Cancellation fees [1]	6,523	-
Entertainment expenses	3,663	2,987
Foreign exchange loss, net	961	-
Loss on disposal of property, plant and equipment	-	85
Loss on fair value adjustment of investment property	-	267
Marketing expenses	382	1,712
Operating lease expenses	2,524	1,267
Professional fees		
- paid / payable by cash [2]	25,423	13,903
- equity-settled share based payment (Note 18 (iii))	-	1,120
Software development expenses	-	434
Travelling expenses	3,354	3,768
Others	6,158	3,996
	48,988	29,539

(1) Cancellation fees mainly arose due to the cancellation of the plan to establish a customer service & call support centre and software development for a prepaid card top-up and client account management system, both in relation to the mobile satellite communication operation of China Satellite Group, as disclosed in Note 10.

(2) Included in the professional fees are consultancy fees amounting to $14,561,000 (2013: $5,809,000) paid or payable to third parties to coordinate the process to obtain PRC regulatory approvals / licences and to perform business development, for the mobile satellite communication business in PRC for China Satellite Group.

31. LOSS BEFORE TAX

This is determined after charging the following:

	Group	
	2014	2013
	$'000	$'000
Directors' remuneration		
- directors of the Company	7,208	1,940
- directors of subsidiaries	1,801	1,586
Directors' fees		
- directors of the Company	827	873
Audit fees		
- auditors of the Company	822	772
- other auditors	710	813
Non-audit fees		
- auditors of the Company	16	16

32. INCOME TAX

Major components of income tax expense for the year ended were:

	Group	
	2014	2013
	$'000	$'000
Current tax		
- current year	-	2,350
Deferred tax (Note 17)		
- current year	1,162	729
	1,162	3,079

32. INCOME TAX (Continued)

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

	Group	
	2014	2013
	$'000	$'000
Accounting loss	(87,063)	(38,273)
Tax at the applicable tax rate of 16.5% (2013: 16.5%)	(14,365)	(6,315)
Tax effect of		
- different tax rates in other countries	(990)	(916)
- expenses not deducted for tax purposes	1,011	1,134
- income not subject to tax	-	(30)
- deemed income on contra arrangement	-	7,648
- unutilised tax losses not recognised	2,235	1,656
- utilisation of previously unrecognised tax losses	-	(4,249)
- losses incurred in tax free jurisdiction	9,878	4,551
- income generated in tax free jurisdiction	-	(200)
- share of loss / (profit) of associate	3,393	(200)
Tax expense	1,162	3,079

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% (2013: 16.5%). No tax provision for Hong Kong profits was made, as there was no assessable profit derived in Hong Kong in the current and preceding years.

32. INCOME TAX (Continued)

PRC

The subsidiary is subject to PRC income tax of 25% and withholding tax of 5% respectively. No tax provision was made, as it has been recording accumulated losses for financial year ended 31 December 2008 onwards.

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.

33. 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 year including the bonus element inherent in the placement shares issued (Note 18):

	Group	
	2014	2013
Net loss attributable to equity holders of the Company ($'000)	(88,225)	(41,352)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	3,290,847	1,630,691
Basic loss per share (cents)	(2.68)	(2.54)

(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. There are no dilutive potential ordinary shares issued and/or granted at current year end.

Performance shares (Note 18) have not been included in the calculation of diluted loss per share because their conversion to ordinary shares would decrease loss per share, as a result, they are not treated as dilutive potential ordinary shares.

34. 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	
	2014	2013
	$'000	$'000
Key management personnel compensation		
Directors of the Company		
- Salary and related costs	1,308	1,927
- Pension contributions	-	13
- Performance share expenses	5,900	-
- Directors' fee	827	873
Directors of subsidiaries		
- Salary and related costs	1,771	1,573
- Pension contributions	30	13
Other key management personnel		
- Salary and related costs	1,094	718
- Pension contributions	15	60
- Performance share expenses	1,264	-
Categories of total compensation:		
- Short-term employment benefits	5,000	5,091
- Post-employment benefits	45	86
- Share-based payments	7,164	-
	12,209	5,177

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.

35. COMMITMENTS

(i) Non-cancellable operating lease commitments

The Group leases certain buildings and motor vehicles 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:

	Group	
	2014	2013
	$'000	$'000
Not later than one year	1,731	1,125
Later than one year and not later than five years	840	758
	2,571	1,883

(ii) Future capital expenditure

Capital expenditure contracted for as at 31 March 2014 but not recognised in the financial statements are as follows:

	Group	
	2014	2013
	$'000	$'000
In respect of plant and equipment [(i)]	-	4,912
In respect of software development fee [(i)]	-	55
	-	4,967

[(i)] The projects in respect of the acquisition of plant and equipment and software development were cancelled in current year (Note 10).

(iii) Financial guarantee to an associate

During the year, the Company provided an unconditional and irrecoverable financial guarantee to a mobile satellite communication service provider ("Service Provider") of its associate, China Satellite Group. to indemnify the Service Provider against all losses and default from China Satellite Group, in the event that the associate is unable to meet its obligation of at least 10 million minute bulk airtime commitment from 1 April 2014 to 31 March 2015, amounting to a quarterly payment of US$500,000 (total commitment of US$2,000,000),.

Pursuant to a loan facility agreement between China Satellite Group and the Company, the associate agrees to reimburse the Company for any amounts paid to the Service Provider on behalf of the associate, with a handling fee of 3%, payable within 12 months, in return for the financial assistance extended by the Company. Accordingly, the financial guarantee is not recognised as a financial liability as at 31 March 2014.

36. 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 segments".

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, loss on fair valuation of investment property and expenses comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and investment in mobile satellite communication business.

36. SEGMENT INFORMATION (Continued)

Business segments

2014	Provision of IT services	Trading of IT equipment	All other segments	Total Group
	$'000	$'000	$'000	$'000
Revenue (including other income)	1,238	15,725	3,147	20,110
Segment loss	(13,820)	(11,065)	(61,805)	(86,690)
Finance costs				(373)
Loss before tax				(87,063)
Income tax				(1,162)
Loss for the year				(88,225)
Segment assets	755	21,103	288,661	310,519
Segment liabilities	260	2,488	16,433	19,181
Unallocated liabilities				
- Income tax payable				2,897
- Deferred tax liabilities				3,237
				6,134
Consolidated total liabilities				25,315
Other segment items				
Investment in associates	16,059	-	159,264	175,323
Capital expenditure	-	773	583	1,356
Depreciation of property, plant and equipment	-	281	126	407
Amortisation of intangible assets	248	496	-	744
Impairment of investment in associates	2,923	-	-	2,923
Performance share expense	-	-	9,028	9,028
Share of loss of associates	11,140	-	9,426	20,566
Gain on disposal of non-current assets held for sale	-	-	2,858	2,858

36. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2013	Provision of IT services $'000	Trading of IT equipment $'000	All other segments $'000	Total Group $'000
Revenue (including other income)	2,872	11,566	560	14,998
Segment loss	(2,894)	(14,485)	(20,255)	(37,634)
Finance costs				(639)
Loss before tax				(38,273)
Income tax				(3,079)
Loss for the year				(41,352)
Segment assets	27,553	71,709	165,882	265,144
Segment liabilities	8,253	11,213	8,114	27,580
Unallocated liabilities				
- Income tax payable				2,843
- Deferred tax liabilities				2,037
				4,880
Consolidated total liabilities				32,460
Other segment items				
Investment in associates	29,634	-	156,114	185,748
Capital expenditure	1	21	-	22
Depreciation of property, plant and equipment	200	465	-	665
Amortisation of intangible assets	248	496	-	744
Impairment loss	1,339	1,492	-	2,831
Equity-settled share based payment	-	-	1,120	1,120
Share of (profit)/loss of associates	(1,931)	-	720	(1,211)
Loss on fair value adjustment of investment property	-	-	267	267

36. SEGMENT INFORMATION (Continued)

Business segments (Continued)

The Group has neither balances nor transactions between segments for the financial year ended 31 March 2014 and 2013.

Reconciliations of reportable segment revenues

	2014 $'000	2013 $'000
Total revenue for reportable segments	20,110	14,998
Less: Income from all other segments included as other income (Note 28)	(3,147)	(560)
Consolidated revenue	16,963	14,438

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Hong Kong	5,066	4,751	894	446
PRC	15,044	10,247	179,651	206,924
	20,110	14,998	180,545	207,370

Revenues of approximately $7,425,000 (2013: $8,535,000) are derived from a single external customer, which are attributable to "Provision of IT services" and "Trading of IT equipment" segment.

Revenues of approximately $4,680,000 (2013: Nil) are derived from a single external customer, which is attributable to "Trading of IT equipment" segment.

Revenues of approximately $4,858,000 (2013: $4,379,000) are derived from a single external customer, which is attributable to "Trading of IT equipment" segment.

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

36. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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:

	2014 $'000	2013 $'000
Provision of IT services	1,238	2,872
Trading of IT equipment:		
- IT equipment	11,045	11,566
- RFID chips	4,680	-
Other income (Note 28)	3,147	560
	20,110	14,998

37. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign exchange risk, interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is the Group's policy not to trade in derivative contracts.

(i) Market risk

(a) 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 the Group's entities, primarily with respect to Chinese Renminbi and United States dollar.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014
(Amounts in Hong Kong dollar unless otherwise stated)

37. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2014	Hong Kong dollar	Chinese Renminbi	Singapore dollars	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	89,969	24,283	-	3,500	117,752
Due from an associate (non-trade)	1,572	-	-	-	1,572
Cash and bank balances	622	9,326	228	2	10,178
Intra-group receivables	566,220	-	3,511	-	569,731
	658,383	33,609	3,739	3,502	699,233
Financial liabilities					
Trade and other payables	3,089	6,401	1,852	1,683	13,025
Lease obligations	156	-	-	-	156
Short-term borrowing	6,000	-	-	-	6,000
Intra-group payables	566,220	-	3,511	-	569,731
	575,465	6,401	5,363	1,683	588,912
Net financial assets / (liabilities)	82,918	27,208	(1,624)	1,819	110,321
Less: Net financial assets denominated in the respective entities functional currencies	(59,802)	(27,208)	(3,702)	-	(90,712)
Foreign currency exposure	23,116	-	(5,326)	1,819	19,609

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2013	Hong Kong dollar	Chinese Renminbi	Singapore dollars	United States dollar	Canadian dollar	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Trade and other receivables	5,117	304	-	2,394	-	7,815
Due from an associate (non-trade)	1,704	-	-	-	-	1,704
Cash and bank balances	7,143	22,805	6	54	-	30,008
Intra-group receivables	549,873	-	-	-	-	549,873
	563,837	23,109	6	2,448	-	589,400
Financial liabilities						
Trade and other payables	4,664	5,525	3,922	898	2,456	17,465
Lease obligations	251	-	-	-	-	251
Intra-group payables	549,873	-	-	-	-	549,873
	554,788	5,525	3,922	898	2,456	567,589
Net financial assets / (liabilities)	9,049	17,584	(3,916)	1,550	(2,456)	21,811
Less: Net financial liabilities / (assets) denominated in the respective entities functional currencies	22,919	(17,584)	53	-	-	5,388
Foreign currency exposure	31,968	-	(3,863)	1,550	(2,456)	27,199

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2014	Hong Kong dollar $'000	Singapore dollars $'000	United States dollar $'000	Total $'000
Financial assets				
Trade and other receivables	74,750	-	-	74,750
Cash and bank balances	4	-	-	4
	74,754	-	-	74,754
Financial liabilities				
Trade and other payables	1,496	1,815	135	3,446
Due to a subsidiary (non-trade)	30,440	3,511	-	33,951
Short-term borrowings	6,000	-	-	6,000
	37,936	5,326	135	43,397
Net financial assets / (liabilities)	36,818	(5,326)	(135)	31,357
Less: Net financial assets denominated in the Company's functional currency	(36,818)	-	-	(36,818)
Foreign currency exposure	-	(5,326)	(135)	(5,461)

Company 2013	Hong Kong dollar $'000	Singapore dollars $'000	United States dollar $'000	Canadian dollar $'000	Total $'000
Financial assets					
Due from subsidiaries (non-trade)	92,732	-	-	-	92,732
Cash and bank balances	4	-	-	-	4
	92,736	-	-	-	92,736
Financial liabilities					
Trade and other payables	1,117	3,863	618	2,456	8,054
Due to a subsidiary (non-trade)	30,441	-	-	-	30,441
	31,558	3,863	618	2,456	38,495
Net financial assets / (liabilities)	61,178	(3,863)	(618)	(2,456)	54,241
Less: Net financial assets denominated in the Company's functional currency	(61,178)	-	-	-	(61,178)
Foreign currency exposure	-	(3,863)	(618)	(2,456)	(6,937)

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) 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% (2013: 10%) against the relevant foreign currency, with all other variables held constant, loss for the year or other comprehensive loss, net of tax will increase / (decrease) by:

Group	Hong Kong dollar *	Chinese Renminbi	Singapore dollars	United States dollar	Canadian dollar
	$'000	$'000	$'000	$'000	$'000
2014					
Loss for the year	-	-	(445)	152	-
Other comprehensive loss, net of tax	(1,930)	-	-	-	-
2013					
Loss for the year	-	-	(323)	129	(205)
Other comprehensive loss, net of tax	(2,669)	-	-	-	-

* Against RMB, the functional currency of a PRC subsidiary

Company	Singapore dollars	United States dollar	Canadian dollar
	$'000	$'000	$'000
2014			
Loss for the year	(445)	(11)	-
2013			
Loss for the year	(322)	(52)	(205)

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.

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

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 2014, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

Other than the lease obligations, cash and bank balances, amounts due from subsidiaries and borrowings, the Group and the Company do not have financial instruments exposed to interest rate risk as at 31 March 2014. 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 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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Within 1 year – fixed rates				
Lease obligations (Note 15)	156	251	-	-
Short-term borrowing (Note 16)	6,000	-	6,000	-
Within 1 year – floating rates				
Cash and bank balances	10,178	30,008	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.

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) 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 2014, the Group has cash at bank balances deposited with banks in the PRC denominated in RMB amounting to $9,326,000 (RMB7,411,000) (2013: $22,805,000 (RMB18,453,000)). 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	On demand or not later than 1 year
	$'000
2014	
Non-derivative instruments	
Trade and other payables	13,025
Lease obligations	176
Short-term borrowing	6,720
	19,921
2013	
Non-derivative instruments	
Trade and other payables	17,465
Lease obligations	282
	17,747

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Company	On demand or not later than 1 year
	$'000
2014	
Non-derivative instruments	
Trade and other payables	3,446
Due to a subsidiary (non-trade)	33,951
Short-term borrowing	6,720
	44,117
2013	
Non-derivative instruments	
Trade and other payables	8,054
Due to a subsidiary (non-trade)	30,441
	38,495

(iii) 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, the Group's significant credit risk exposure to single counterparty or group of counterparties having similar characteristics without collaterals, are analysed as follows:

- approximately $5,742,000 (2013: $7,199,000) of the Group's trade receivables were due from 3 (2013: 2) major customers who are private limited companies operated in Hong Kong and PRC.

- a deposit of $5,288,000 (2013: $7,500,000) paid to a RFID chips supplier incorporated in British Virgin Island and operated in Hong Kong, which will be first offset against future purchases, with any unused balances refunded at the end of the term of the exclusive distribution rights (Note 11(ii)).

- other receivables from 2 private-owned companies in PRC amounting to $9,614,000 and $9,186,000 respectively, disclosed in Note 10 and Note 11(i).

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Except for the convertible loan receivables and advances to third parties as disclosed in Note 11, 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 (2013: 180 to 270 days) term. No interest is charged on the trade receivables balances.

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.

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

	Group	
	2014	2013
	$'000	$'000
By geographical areas		
- Hong Kong	4,745	2,397
- People's Republic of China	99,888	4,807
- British Virgin Island	7,360	-
	111,993	7,204

The age analysis of trade receivables is as follows:

	Group	
	2014	2013
	$'000	$'000
Not past due and not impaired	110,401	4,570
Past due but not impaired		
- Past due 0 to 3 months	1,551	1,986
- Past due 3 to 6 months	41	648
- Past due over 6 months	-	-
	1,592	2,634
Impaired receivables	3,634	3,569
Less: Allowance for impairment loss	(3,634)	(3,569)
	111,993	7,204

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The amounts that are neither past due nor impaired represents balances owing from companies with good credit standing with the Group and these amounts are deemed fully recoverable.

Included in the Group's receivables are customers with total carrying amount of $1,592,000 (2013: $2,634,000), 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.

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 counter parties. These receivables are not secured by any collateral or credit enhancements.

(iv) Financial instruments by category

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets:				
Loans and receivables (including cash and bank balances)	129,502	39,527	74,754	92,736
Financial liabilities:				
Financial liabilities at amortised cost	19,181	17,716	43,397	38,495

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 16, 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 18 to 26. The Group's and Company's strategies, which were unchanged from 2013 are to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business.

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. Based on recommendations of the Board, 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.

37. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives (Continued)

As disclosed in Note 22, 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 year ended 31 March 2014 and 2013.

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

38. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value on a recurring or non-recurring basis

At balance sheet date, there are no financial instruments in this category.

(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 (including amount due from an associate), trade and other payables (including amount due to a subsidiary), lease obligations and borrowings 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

At balance sheet date, there are no financial instruments in this category.

39. SUBSEQUENT EVENTS

On 19 June 2014, the Company announced a placement of 1,440,000,000 new ordinary shares, to 6 individual investors, at an issue price of $0.05 (equivalent to SGD 0.008) per share to finance the Group's existing and new investments, general corporate and working capital purposes. The net proceeds from the placement, after deducting estimated expenses (including the introduction fees payable to the introducer and other estimated fees and expenses), amounted to approximately $63,000,000.

The 1,440,000,000 ordinary shares have not been issued and allotted by the Company at the date of this report.

40. COMPARATIVES

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation. As a result, certain line items have been amended on the consolidated statement of cash flows.

	Group	
	31 March 2013 balances as restated	31 March 2013 balances as previously reported
	$'000	$'000
<u>Consolidated statement of cash flows</u>		
Net cash used in operating activities	(25,447)	(15,583)
Net cash used in investing activities	(13,648)	(23,512)

SHAREHOLDERS' INFORMATION

AS AT 27 JUNE 2014

Share Capital

Authorised share capital	- HK$500,000,000
Issued and fully paid-up	- HK$191,476,173.70
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 27 June 2014, 97.50% 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	5	0.11	786	0.00
1,000 - 10,000	641	14.37	3,714,000	0.10
10,001 - 1,000,000	3,418	76.62	760,573,118	19.86
1,000,001 and above	397	8.90	3,065,235,570	80.04
	4,461	100.00	3,829,523,474	100.00

Top 20 Shareholders

No.	Name	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	342,683,570	8.95
2	UOB Kay Hian Pte Ltd	279,306,638	7.29
3	Phillip Securities Pte Ltd	194,307,834	5.07
4	Koh Wee Meng	190,000,000	4.96
5	Zhang Jian Hua	156,305,000	4.08
6	OCBC Securities Private Ltd	141,494,000	3.69
7	DMG & Partners Securities Pte Ltd	70,096,000	1.83
8	DBS Nominees Pte Ltd	65,564,251	1.71
9	Dai Fang	50,000,000	1.31
10	Compelling Vision Technology Limited	44,381,277	1.16
11	Yeo Chin Chai	43,000,000	1.12
12	Raffles Nominees (Pte) Ltd	41,412,000	1.08
13	Low Yoke Hwee (Liu Yuhui)	37,000,000	0.97
14	Tu Xiaojing	35,625,000	0.93
15	Maybank Kim Eng Securities Pte Ltd	31,201,000	0.81
16	You Shuidong	30,000,000	0.78
17	Hong Leong Finance Nominees Pte Ltd	25,900,000	0.68
18	Ip Yuen Kwong	25,264,000	0.66
19	Tse Chi Nang	24,500,000	0.64
20	Lim Chye Huat @ Bobby Lim Chye Huat	24,000,000	0.63
		1,852,040,570	48.35

Substantial Shareholder

Based on information available to the Company as at 27 June 2014, the Company had no substantial shareholder.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of Armarda Group Limited (the "**Company**") will be held at Ficus 1, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Tuesday, 29 July 2014 at 10:00 a.m. (Singapore time) to transact the following business:-

Ordinary Business

1 To receive and adopt the directors' report and audited financial statements for the financial year ended 31 March 2014 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 Luk Chung Po, Terence

(b) Mr Phuah Lian Heng

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

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

"That directors' fees of S$134,000/- payable by the Company for the financial year ending 31 March 2015 be approved."

Note: The amount of directors' fees for the financial year ended 31 March 2014 was S$134,000/-.

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."

NOTICE OF ANNUAL GENERAL MEETING

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

"That the directors of the Company or a committee of the directors to be authorised and empowered to grant awards in accordance with the provisions of the Armarda Group Limited Performance Share Plan (the "**Plan**") and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary Shares to be issued pursuant to the Plan and other share scheme which the Company may implement from time to time, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 earlier. 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

CHU YIN LING, KAREN
COMPANY SECRETARY

Singapore,
5 July 2014

NOTICE OF ANNUAL GENERAL MEETING

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 or a committee of the directors to grant awards and to allot and issue Shares pursuant to the Plan provided that the aggregate number of Shares to be issued pursuant to the Plan and other share scheme which the Company may implement from time to time, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 earlier.

NOTICE OF ANNUAL GENERAL MEETING

Notes

(1) 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.

(2) The instrument appointing a proxy must be deposited at the office of the Singapore share transfer agent, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, not less than 48 hours before the time appointed for holding the Annual General Meeting.

(3) 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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