



2010

ANNUAL REPORT

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OUR VISION

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

CORPORATE PROFILE

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

Under the Group's IT Consulting Services business, Armarda provides IT strategy review and formulation, IT infrastructure architecture and technology integration to banks and financial institutions. To perform such services, Armarda is backed by a strong team of IT professionals who hail from internationally renowned technology firms. Their depth of understanding and first-hand experience of the PRC's banking and financial services sector, coupled with knowledge of the advanced banking systems in developed countries, provide us with a distinct competitive edge to capitalize on the modernization of domestic financial institutions.

In addition, through its subsidiary company, China RFID Limited, the Group has successfully obtained access to RFID business in the PRC. China RFID Limited has procured an exclusive right to distribute NXP RFID chips and allow them to supply such chips, which will be used in the electronic passport applications in the PRC, to China Vision, an entity licensed by the ultimate customer, the Public Security Bureau under a 2-year exclusive distributorship right.

Armarda has established principle operations in Hong Kong, Beijing and Zhuhai for its IT Consulting services. Leveraging on our extensive IT experiences and extensive network in the PRC, we believe Armarda is poised to capture the huge technology business potential in the banking and financial services' market and also the other industry sectors, not to mention the huge RFID market, in the PRC.

MESSAGE FROM CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors, it is my great honor to share with you the 2010 Annual Report of the Armarda Group.

Alike the preceding year, FY2010 was another very challenging and uneasy year for Armarda. Arising from the increasingly intense competition in the PRC's IT consulting market out of the surging entrance of both local and international market players, the market condition in the PRC IT industry where we operates remains to be difficult and as such, the financial performance of our core business operation has been affected with a decline in revenue and profitability.

While our core business could not provide us with a favorable financial result for FY2010, I would like to share with you the promising progress that our RFID business has been for FY2010 since our successful acquisition of 75% shareholding interest in China RFID Limited in FY2009. China RFID Limited has procured an exclusive distributorship agreement to supply RFID chips for the use of electronic passport applications in the PRC. Despite the fact that no revenue has yet been generated from our RFID business in FY2010 which was caused by the postponement of the nationwide project roll out in the PRC, the first batch order of the RFID chips for pilot site has already been received and confirmed, of which we could expect that such order could bring in revenue to us in the first quarter of 2011.

Looking ahead, we expect the IT consulting market in the PRC will stay tough and unlikely to improve in the foreseeable term, we would continue to slow down our pace in developing new businesses in this genre. However, we will continue to devote operational resources to our RFID business area which we believe that such segment possesses huge market potential in the PRC and will bring sound financial interest to our Group in the long run. In addition, in the course of striving to maintain our growth momentum, for FY2011, our strategy will continue to target for exploring new business opportunities with great growth potential as well as looking for any M&A possibilities which are beneficial to the interest of our Group and could enhance our shareholders' value in future.

Finally, I would like to extend my appreciation and gratitude to our management team and all staff for their hard work and devotion to our company throughout this difficult year. I also wish to express my thankfulness to our shareholders, customers, suppliers and business partners for their continuous support and belief.

Dr Chou Tao-Hsiung, Joseph

Chairman

29 March 2011

MESSAGE FROM CEO

It is my great pleasure to present you the operational and financial performance of the Armarda Group for FY2010.

FY2010 continued to be a difficult and challenging year for our Group. The overall market condition of the PRC IT industry where Armarda operates becomes increasingly competitive and remained very difficult since FY2009. Our Group's revenue generated in FY2010 was around HK\$20.5 million as compared to around HK\$30.3 million in FY2009 and the decrease of around HK\$9.8 million in revenue was mainly attributable by the continuous scaling down of our core business as a result of the said tense market competition due to the increasing number of both local and international IT consulting firms entering into our segment. This year, our Group had maintained a loss making bottom line position which was very close to the preceding year - a net loss after tax for FY2010 amounting to around HK\$110 million as compared to HK\$119 million in FY2009. Aside from the decline in revenue, the reason for such loss was caused by the impairment of intangible assets of Brilliant Time Limited ("BTL") amounting to around HK\$77 million resulting from BTL's decline in sales and loss of certain major customers.

I would also like to update you the progress of our RFID business area. You may recall our business accomplishment for FY2009 was to expand our business horizon by entering into the huge and growing RFID market in the PRC through the successful acquisition of 75% equity interest in China RFID Limited. The company had procured a 2-year exclusive distributorship agreement between the ultimate customer of the Group, China Vision and the Public Security Bureau to supply RFID chips for the use of electronic passport applications in the PRC. Even though no revenue had yet been generated from our RFID business in FY2010 which was caused by the postponement of nationwide project roll out, I am delighted to report that a new order of 500,000 pieces of RFID chips for pilot site have been received and it looks very promising that the business could achieve its first revenue and hopefully profit in the first quarter of FY2011.

Looking ahead for FY2011, our Group expects that the market condition of the IT consulting market in the PRC will not be improved in the short term which will lead to a continuous downturn of the performance of our core business area. In addition, we expect that the financial performance of our RFID business may also be affected by the delay of the actual roll out schedule of the nationwide RFID project in the PRC. As such, our Group's strategy is that, while the management will continue to put more focus on and to devote more resources into the development of our RFID business in the PRC in all applicable areas, we will also power up our development by actively searching for new promising business opportunities with substantial growth and profit potential for the coming year.

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

Luk Chung Po, Terence

Chief Executive Officer

29 March 2011

BOARD OF DIRECTORS

DR CHOU TAO-HSIUNG, JOSEPH

Non-executive Chairman

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

MR LUK CHUNG PO, TERENCE

Executive director, Deputy Chairman & Chief Executive Officer

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

MR GAO XIANGJUN, RICHARD

Executive Director

Mr. Richard Gao was appointed as our Executive Director in March 2009. He is responsible for formulation of strategic direction and organization of the Group's fund raising activities. During the past 10 years, Mr. Gao has taken up senior management roles for a number of electronics and industrial companies in the PRC and USA. Mr. Gao was the Vice President of G.L International Inc. (a computer network systems and related products supplier based in California) from 1998 to 1999. He founded Zhuhai Websoft Computer Networks Co., Ltd, and acted as its Chairman. Mr. Gao was appointed as Non-executive director of Koyo International Limited (formerly known as Cyber Village Holdings Limited) from May 2004 to May 2008. Mr. Gao has been appointed as Director of Sinohope Education Group since 2008. He is also currently the Non-executive Director of Singapore-listed LottVision Limited. Mr. Gao holds a bachelors degree in Mechanical Engineering from the China TV University, PRC and a Masters in Software Engineering from Shanghai Fudan University. Mr. Gao was last re-elected on 25 April 2009 and will be due for re-election at the coming AGM.

MR LEE JOO HAI

Independent Director

Mr Lee Joo Hai was appointed as an Independent Director of our Company in March 2004. Currently a partner in BDO LLP, a public accounting firm, Mr Lee has more than 20 years of experience in accounting and auditing. He is a Certified Public Accountant of Singapore and a member of Institute of Chartered Accountants in England and Wales, Malaysian Institute of Accountants and Singapore Institute of Directors. Mr Lee completed a foundation course in accountancy with the Northeast London Polytechnic and passed the Professional Examinations of the Institute of Chartered Accountants in England and Wales. Mr. Lee was last re-elected as Director on 24 April 2010.

MR PHUAH LIAN HENG

Independent Director

Mr Phuah Lian Heng was appointed as an Independent Director of our Company in March 2004. He is currently the Director of VCOD(S'pore) Pte Ltd. Mr Phuah was an engineer with Hewlett Packard between 1992 to 1993 and Esso between 1993 to 1994 before moving on to the Mentor Media group of companies in 1995 where he held senior positions. Mr Phuah holds a Bachelor's Degree (First Class Honours) in Electrical Engineering from the National University of Singapore. Mr. Phuah was last re-elected as Director on 25 April 2009 and will be due for re-election at the coming AGM.



BUILDING OUR MOMENTUM

KEY MANAGEMENT

MR MAK TIN SANG

Chief Financial Officer and Company Secretary

Mr Mak Tin Sang has been with us since January 2004. He oversees the Group's finance and accounting policies and operations. Mr Mak was a consultant with Armarda before he joined us as Chief Financial Officer in 2004. Prior to that, he was the Chief Financial Officer of the LottVision group of companies between August 2001 and September 2003. Mr Mak also served as Group Chief Financial Officer and General Manager of UniVision Engineering Limited's operations in the PRC from October 1996 to July 2001.

Mr Mak holds a Master's Degree in Business Administration from the University of Sheffield, UK. He is also a fellow of the United Kingdom Chartered Association of Certified Accountants.

MS CHU YIN LING, KAREN

Financial Controller

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

MR WEN FENG

General Manager of Armarda Zhuhai

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

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

CORPORATE INFORMATION

Board of Directors

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

Key Management

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

Audit Committee

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

Remuneration Committee

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

Nominating Committee

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

Company Secretary

Mak Tin Sang

Registered Office

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

Bermuda Registrar and Share Registrar Agent

Appleby Management (Bermuda) Limited
Argyle House 41A Cedar Avenue,
Hamilton HM12,
Bermuda

Singapore Share Transfer Agent

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

Auditors

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong
Partner-in-charge: Ms Maggie Lee
(since financial year ended 31 December 2010)

Principal Bankers

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

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

Continuing Sponsor

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

PROPERTY INFORMATION

Major properties held for owned operations:

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

**CORPORATE
GOVERNANCE
REPORT**

Principle 1: Board's Conduct of its Affairs

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group and approves the Group's corporate and strategic directions. The Board is also responsible for implementing policies in relation to financial matters, which include risk management and internal control and compliance. In addition, the Board reviews the financial performance of the Group, approves investment proposals, set company values & standards and approves nomination of Directors to the Board and the appointment of key management personnel. These functions are carried out either directly or through designated Board Committees including the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"), each of which operate within clearly defined and written terms of reference and functional procedures.

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

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

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

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

Principle 2: Board Composition and Guidance

Principle 4: Board Membership

Board of Directors

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

Name	Nature of Board Members	Committee Membership		
		Audit Committee	Remuneration Committee	Nominating Committee
Dr Chou Tao-Hsiung, Joseph	Non-Executive Chairman	Member	Member	Member
Mr Luk Chung Po, Terence	Executive Director, Deputy Chairman and Chief Executive Officer	-	-	-
Mr Lee Joo Hai	Independent Director	Chairman	Member	Member
Mr Phuah Lian Heng	Independent Director	Member	Chairman	Chairman
Mr Gao Xiangjun, Richard	Executive Director	-	-	-

CORPORATE GOVERNANCE REPORT

The Group believes that there should be a strong and independent element in the Board to exercise objective judgment. The Board of Directors currently comprises 5 directors, of which 2 are independent and 1 is non-executive. The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board. Key information regarding the Directors' academic and professional qualifications, other appointments, date of appointment and last re-election date is set out on page 6 of the Annual Report. The shareholdings of the Directors in the Company and its subsidiaries are set out on page 22 of the Annual Report.

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

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

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

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

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND BOARD COMMITTEES HELD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010								
Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Dr Chou Tao-Hsiung, Joseph	6	5	4	4	2	2	1	1
Mr Luk Chung Po, Terence	6	6	-	-	-	-	-	-
Mr Lee Joo Hai	6	6	4	4	2	2	1	1
Mr Phuah Lian Heng	6	6	4	4	2	2	1	1
Mr Gao Xiangjun, Richard	6	6	-	-	-	-	-	-

No. of board meetings held from 1 January 2010 to 31 December 2010: 6

No. of audit committee meetings held from 1 January 2010 to 31 December 2010: 4

No. of nominating committee meetings held from 1 January 2010 to 31 December 2010: 2

No. of remuneration committee meetings held from 1 January 2010 to 31 December 2010: 1

Principle 3: Role of Chairman and Chief Executive Officer

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

Principle 4: Board Membership

Principle 5: Board Performance

Nominating Committee

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The NC has recommended to the Board that Mr. Gao Xiangjun, Richard and Mr Phuah Lian Heng be nominated for reappointment at the forthcoming AGM. In making its recommendations, the NC had considered the Directors' overall contribution and performance.

Principle 6: Access to Information

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

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

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

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

Remuneration Committee

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

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

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

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

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

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

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

Except for the share options granted under the Armarda Employee Share Option Scheme, Dr Chou Tao-Hsiung, Joseph did not receive any compensation. The remuneration of the Independent Directors is in the form of a combination of a fixed directors' fee as well as share options, which are performance related. Such fees will be pro-rated for the financial year ended 31 December 2010. The remuneration of the Non-Executive Directors will be subject to approval at the AGM. The Group does not have any employees who are relatives of a Director or substantial shareholder or the Chief Executive Officer.

Independent Directors generally receive directors' fees and may receive share options, in accordance with their respective contributions to the Group.

CORPORATE GOVERNANCE REPORT

The remuneration paid to the Directors and senior Executive Officers for services rendered during the financial year ended 31 December 2010 are as follows:

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

Notes:

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

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

There are no persons occupying managerial positions in the Company who are related to a Director or substantial shareholder of the Group who earned more than S\$150,000 per annum for the financial year ended 31 December 2010.

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

Principle 10: Accountability and Audit

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

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

Principle 11: Audit Committee

Principle 12: Internal Controls

Audit Committee

The AC comprises Mr Lee Joo Hai, Mr Phuah Lian Heng and Dr Chou Tao-Hsiung, 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 20 years of experience in accounting and auditing. The other members of the AC have a significant number of years of experience in business and financial management. For more details of the qualifications of the members of the AC, please refer to page 6 of the Annual Report.

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

- a) reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;
- b) reviewing the effectiveness and adequacy of the overall internal control system;
- c) reviewing the Group's financial results and the announcements before submission to the Board for approval;
- d) reviewing the assistance given by management to external auditors;
- e) reviewing significant findings of internal audits;
- f) considering the appointment/re-appointment of the external auditors;
- g) reviewing interested person transactions;
- h) having explicit authority to investigate any matter; and
- i) other functions as required by law or the Code.

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

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

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

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

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

Principle 13: Internal Audit

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

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

At least once a year, the AC meets with the internal auditors without the presence of management, reviews the internal audit program, the scope and results of internal audit procedures and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group.

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

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

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

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

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

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

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

Whistle blowing policy

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

Material Contracts

Save for the service agreement between 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 December 2010.

Risk Management

The Group does not have a Risk Management Committee. However, the management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are found on pages 81 to 86 of the Annual Report.

Armarda Employee Share Option Scheme ("ESOS")

The ESOS is administered by the Remuneration Committee comprising Mr Phuah Lian Heng, Mr Lee Joo Hai and Mr Chou Tao-Hsiung, Joseph. There were no share options granted during the financial year ended 31 December 2010. A summary of the ESOS is set out on pages 75 to 77 of the Annual Report.

Dealings in Securities

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

Interested Person Transactions

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

There were no transactions with interested persons during the financial year ended 31 December 2010 as specified in Chapter 9 of the Catalist Rules.

Use of Placement Proceeds

The net proceeds received by the Company of approximately HK\$39,000,000 from the issue of 400,000,000 shares pursuant to a placement exercise made on 22 September 2010 has been partly utilised to pay as a refundable acquisition deposit for the potential acquisition and working capital purpose as disclosed in an announcement made on 4 November 2010 and 30 December 2010.

CORPORATE GOVERNANCE REPORT

Date of Announcement	Use of Proceeds	Usage Amt
4 November 2010	HK\$12.5 million as a refundable acquisition deposit of the potential acquisition and HK\$7.5 million for working capital purpose.	HK\$20,000,000
30 December 2010	Approximately HK\$9 million for working capital purpose.	HK\$9,000,000

The net proceeds received by the Company of approximately HK\$24,624,000 from the issue of 114,000,000 shares pursuant to a placement exercise made on 27 January 2011 has not been used.

Non-sponsor Fees

There was no non-sponsor fee paid during the financial year ended 31 December 2010.

DIRECTORS' REPORT

THE DIRECTORS OF THE COMPANY ARE PLEASED TO PRESENT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010.

DIRECTORS' REPORT

Directors

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

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

Directors' Interests

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

	Shareholdings in the name of the Director		Shareholdings in which the Director is deemed to have an interest	
	At 31 Dec 2009	At 31 Dec 2010	At 31 Dec 2009	At 31 Dec 2010
The Company				
<u>Ordinary Shares of HK\$0.05 each fully paid</u>				
Dr Chou Tao-Hsiung, Joseph	887,626	887,626	-	-
Mr Luk Chung Po, Terence	8,876,255	8,876,255	44,381,277	44,381,277
Mr Lee Joo Hai	-	-	-	-
Mr Phuah Lian Heng	-	-	-	-
Mr Gao Xiangjun, Richard	1,506,000	1,506,000	-	-

<u>Options to subscribe for Ordinary Shares of HK\$0.05 each</u>	Exercise price	Exercise Period	Options Holdings in the name of the Director	
			At 31 Dec 2009	At 31 Dec 2010
Dr Chou Tao-Hsiung, Joseph	S\$0.213	2 Nov 2008-2 Nov 2012	1,000,000	1,000,000
	S\$0.213	2 Nov 2009-2 Nov 2012	1,000,000	1,000,000
Mr Luk Chung Po, Terence	S\$0.213	2 Nov 2008-2 Nov 2012	3,000,000	3,000,000
	S\$0.213	2 Nov 2009-2 Nov 2012	3,000,000	3,000,000
Mr Lee Joo Hai	S\$0.213	2 Nov 2008-2 Nov 2012	400,000	400,000
	S\$0.213	2 Nov 2009-2 Nov 2012	400,000	400,000
Mr Phuah Lian Heng	S\$0.213	2 Nov 2008-2 Nov 2012	350,000	350,000
	S\$0.213	2 Nov 2009-2 Nov 2012	350,000	350,000

The directors' interest as at 21 January 2011 were as the same as the end of the year.

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

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

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member or with a company in which he has a substantial financial interest except in respect of remuneration as disclosed in the financial statements.

Share Options

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

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

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

The ESOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them toward better performance through increased dedication and loyalty. The ESOS, which forms an integral and important component of our employee compensation package, is designed to primarily reward and retain Executive Directors and employees whose services are vital to our wellbeing and success. The criterias / terms for grant of ESOS are to be determined by the Remuneration Committee.

The principal terms of the Scheme are as follows:

(a) Eligibility

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

(b) Maximum Entitlement

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

(c) Size of Scheme

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

(d) Exercise Price

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

(e) Option Period

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

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

(f) Vesting Period

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

(g) Methodology of valuing stock options

Please refer to pages 76 to 77 for further information.

Options Granted During The Year

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

Issue of Shares Under Option

No shares were issued under the Scheme during the financial year ended 31 December 2010.

Unissued Shares Under The Scheme

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of HK\$0.05 each of the Company were as follows:

Date of grant of options	Exercise price per share	Options outstanding at 31 Dec 2009	Options granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31 Dec 2010	Number of option holders at 31 Dec 2010	Exercise period
2 Nov 2007	S\$0.213	- 12,500,000	-	-	850,000	11,650,000	26	2 Nov 2008- 2 Nov 2012
2 Nov 2007	S\$0.213	- 12,500,000	-	-	850,000	11,650,000	26	2 Nov 2009- 2 Nov 2012

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

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

Summary of the plan

Name of Participant	Options granted during financial year under review	Aggregate options granted since commencement of scheme to 31 December 2010	Options lapsed during financial year under review	Aggregate options exercised since commencement of scheme to 31 December 2010	Aggregate options outstanding as at 31 December 2010
(i) Directors					
Dr Chou Tao-Hsiung, Joesph	-	2,000,000	-	-	2,000,000
Mr Luk Chung Po, Terence	-	6,000,000	-	-	6,000,000
Mr Lee Joo Hai	-	800,000	-	-	800,000
Mr Phuah Lian Heng	-	700,000	-	-	700,000
(ii) Participants who are controlling shareholders of the issuer and their associates					
-	-	-	-	-	-
(iii) Participants, other than those in (i) and (ii) above, who receive 5% or more of the total number of options available under the scheme					
Mak Tin Sang	-	4,000,000	-	-	4,000,000
Wang Hui	-	2,000,000	-	-	2,000,000
Wen Feng	-	2,000,000	-	-	2,000,000
Zhang Yu Lin	-	2,000,000	-	-	2,000,000
(iv) Participants who received less than 5% of the total grants available					
Other employees	-	4,200,000	(400,000)	-	3,800,000
		23,700,000	(400,000)		23,300,000

No options are granted to each directors and employees of the listed issuer's parent company and its subsidiaries who receives 5% or more of the total number of options available to the parent group employees and directors.

No options are granted to the directors and employees of the parent company and its subsidiaries during the year.

No options are granted at a discount during the year.

Warrants

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

Audit Committee

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

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

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

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

- i. the audit plan of the external auditors of the Group and the results of their examination and evaluation of the Group's systems of internal accounting controls;
- ii. the Group's financial and operating results and accounting policies;
- iii. that no restrictions were being placed by the management upon the work of the external auditors;
- iv. the Group's transactions with related parties and interested persons;
- v. the annual and quarterly financial statements to be announced to shareholders before their submission to the Board of Directors for adoption; and
- vi. the independence of the external auditors.

The Audit Committee performed the functions specified in the Listing Manual which included a review of the financial statements of the Group and of the Company for the financial year ended 31 December 2010 and the auditors' report thereon.

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

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

Auditors

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

On behalf of the Board of Directors

Dr Chou Tao-Hsiung, Joseph
Non-Executive Chairman

Luk Chung Po, Terence
Director and Chief Executive Officer

29 March 2011

**STATEMENT BY
THE DIRECTORS**

STATEMENT BY THE DIRECTORS

In the opinion of the directors, the accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Dr Chou Tao-Hsiung, Joseph
Non-Executive Chairman

Luk Chung Po, Terence
Director and Chief Executive Officer

29 March 2011

**ARMARDA GROUP
LIMITED AND IT'S
SUBSIDIARIES**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

To the shareholders of

Armarda Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the accompanying consolidated financial statements of Armarda Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated and company income statements, the consolidated and company statements of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2010, and of the financial performance of the Company and of the Group and the cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(b) to the financial statements, which identifies material uncertainties related to the future profitability of the Group's major businesses. In particular, note 2(b) to the financial statements indicates that the financial performance of the two subsidiaries of the Group, namely Brilliant Time Limited ("BTL") and China RFID Limited ("RFID") was low, and the trading of radio frequency identification chips ("RFID business") did not generate any income up to 31 December 2010, resulting in significant impairment losses being recognised against goodwill and other acquired intangibles. The profitability and the estimates of future cash flows generated from such new businesses in the foreseeable future are inherently uncertain. Further details in this regard are set out in note 2(b) to the financial statements.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road,

Central, Hong Kong

29 March 2011

INCOME STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	The Group		The Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue	4	20,491	30,330	-	-
Other income	4	502	633	7,742	7,374
Staff costs	5	(7,636)	(13,975)	(1,779)	(2,887)
Depreciation	10	(731)	(2,363)	-	-
Amortisation of intangible assets	11	(10,864)	(6,902)	-	-
Impairment of:					
- intangible assets	11	(77,100)	(90,368)	-	-
- investment in subsidiaries	8	-	-	(24,087)	(43,546)
- other investment	13	(6,065)	-	-	-
- amounts due from subsidiaries	12	-	-	(84,266)	-
Cost of goods sold		(9,759)	(12,844)	-	-
Other expenses	5	(17,907)	(23,738)	(2,833)	(2,224)
Finance costs	5	(320)	(197)	-	-
Share of profit of an associate	9	80	256	-	-
Loss before taxation	5	(109,309)	(119,168)	(105,223)	(41,283)
Income tax (expense)/credit	6	(1,029)	302	-	-
Loss for the year		(110,338)	(118,866)	(105,223)	(41,283)
Attributable to:					
Equity shareholders of the Company		(108,226)	(97,813)	(105,223)	(41,283)
Non-controlling interest		(2,112)	(21,053)	-	-
Loss for the year		<u>(110,338)</u>	<u>(118,866)</u>	<u>(105,223)</u>	<u>(41,283)</u>
Loss per share					
Basic	7	<u>(16.07 cents)</u>	<u>(21.20 cents)</u>		
Diluted	7	<u>N/A</u>	<u>N/A</u>		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

Note	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Loss for the year	(110,338)	(118,866)	(105,223)	(41,283)
Other comprehensive income / (loss)				
Exchange differences on translating foreign operations	3,003	(86)	-	-
Total comprehensive loss for the year	<u>(107,335)</u>	<u>(118,952)</u>	<u>(105,223)</u>	<u>(41,283)</u>
Attributable to:				
Equity shareholders of the Company	(105,223)	(97,899)	(105,223)	(41,283)
Non-controlling interest	<u>(2,112)</u>	<u>(21,053)</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>(107,335)</u>	<u>(118,952)</u>	<u>(105,223)</u>	<u>(41,283)</u>

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2010
(Expressed in Hong Kong dollars)

	Note	The Group		The Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current assets					
Investments in subsidiaries	8	-	-	-	24,087
Interest in an associate	9	25,253	24,424	-	-
Property, plant and equipment	10	7,798	7,800	-	-
Intangible assets	11	10,841	98,805	-	-
Amounts due from subsidiaries	12	-	-	131,142	173,229
Other investment	13	6,754	5,052	-	-
Other assets	14	933	900	-	-
		<u>51,579</u>	<u>136,981</u>	<u>131,142</u>	<u>197,316</u>
Current assets					
Trade and other receivables	15	82,826	77,930	133	132
Cash and cash equivalents	16	12,676	14,258	4	4
		<u>95,502</u>	<u>92,188</u>	<u>137</u>	<u>136</u>
Current liabilities					
Obligations under finance lease	17	203	109	-	-
Other payables and accruals		11,019	26,046	836	663
Taxation payable		449	434	-	-
		<u>11,671</u>	<u>26,589</u>	<u>836</u>	<u>663</u>
Net current assets /(liabilities)		<u>83,831</u>	<u>65,599</u>	<u>(699)</u>	<u>(527)</u>

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2010 (continued)
(Expressed in Hong Kong dollars)

	Note	The Group		The Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current liabilities					
Obligations under finance lease	17	487	228	-	-
Deferred tax liabilities	18	3,072	2,043	-	-
		<u>3,559</u>	<u>2,271</u>	<u>-</u>	<u>-</u>
Net assets		<u>131,851</u>	<u>200,309</u>	<u>130,443</u>	<u>196,789</u>
Total equity					
Share capital	20	48,232	102,261	48,232	102,261
Reserves	20	<u>82,211</u>	<u>94,528</u>	<u>82,211</u>	<u>94,528</u>
Total equity attributable to equity holders of the Company		130,443	196,789	130,443	196,789
Non-controlling interest		<u>1,408</u>	<u>3,520</u>	<u>-</u>	<u>-</u>
		<u>131,851</u>	<u>200,309</u>	<u>130,443</u>	<u>196,789</u>

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

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2010
(Expressed in Hong Kong dollars)

		The Group										
Note	Share capital \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	PRC statutory reserve \$'000	Revaluation reserve \$'000	Employee share-based capital reserve \$'000	Reserve for shares to be issued \$'000	Other reserves \$'000	Retained earnings/(accumulated loss) \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance as at 1 January 2009	77,636	110,582	25,066	5,863	98	9,700	-	-	44,551	273,496	8,278	281,774
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(97,813)	(97,813)	(21,053)	(118,866)
Net loss for the year	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	(86)	-	-	-	-	-	-	(86)	-	(86)
Exchange difference on translating foreign operations	-	-	(86)	-	-	-	-	-	-	(86)	-	(86)
Transaction with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	2,844	-	-	-	2,844	-	2,844
Equity settled share-based payment 19(c)	-	-	-	-	-	2,844	-	-	-	2,844	-	2,844
Issuance of new ordinary shares 20(a)	24,625	(1,970)	-	-	-	-	-	-	-	22,655	-	22,655
Reserve for shares to be issued 20(c)	-	-	-	-	-	-	14,720	-	-	14,720	-	14,720
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	-	(105)	(105)
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(105)	(105)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(19,027)	-	(19,027)	(8,173)	(27,200)
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	24,573	24,573
Balance as at 31 December 2009	102,261	108,612	24,980	5,863	98	12,544	14,720	(19,027)	(53,262)	196,789	3,520	200,309

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2010 (continued)
(Expressed in Hong Kong dollars)

		The Group											
Note	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Foreign currency translation reserve \$'000	PRC statutory reserve \$'000	Revaluation reserve \$'000	Employee share-based capital reserve \$'000	Reserve for shares to be issued \$'000	Other reserves \$'000	Accumulated loss \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance as at 1 January 2010	102,261	108,612	-	24,980	5,863	98	12,544	14,720	(19,027)	(53,262)	196,789	3,520	200,309
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	-	(108,226)	(108,226)	(2,112)	(110,338)
Net loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	3,003	-	-	-	-	-	-	3,003	-	3,003
Exchange difference on translating foreign operations	-	-	-	3,003	-	-	-	-	-	-	3,003	-	3,003
Transaction with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of new ordinary shares	20(a) 20,000	18,877	-	-	-	-	-	-	-	-	38,877	-	38,877
Reserve for shares to be issued	20(c) 10,667	4,053	-	-	-	-	-	(14,720)	-	-	-	-	-
Capital reorganisation	20(a) (84,696)	-	84,696	-	-	-	-	-	-	-	-	-	-
Written off of accumulated loss	20(a) -	-	(41,348)	-	-	-	-	-	-	41,348	-	-	-
Balance as at 31 December 2010	48,232	131,542	43,348	27,983	5,863	98	12,544	-	(19,027)	(120,140)	130,443	1,408	131,851

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

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2010 (continued)
(Expressed in Hong Kong dollars)

The Company							
Note	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Employee share-based capital reserve \$'000	Reserves for Shares to be issued \$'000	Accumulated loss \$'000	Total \$'000
Balance as at 1 January 2009	77,636	110,582	-	9,700	-	(65)	197,853
Net loss for the year	-	-	-	-	-	(41,283)	(41,283)
Issue of new ordinary shares 20(a)	24,625	(1,970)	-	-	-	-	22,655
Equity settled share-based payment 19(c)	-	-	-	2,844	-	-	2,844
Reserve for shares to be issued 20(c)	-	-	-	-	14,720	-	14,720
Balance as at 31 December 2009	<u>102,261</u>	<u>108,612</u>	<u>-</u>	<u>12,544</u>	<u>14,720</u>	<u>(41,348)</u>	<u>196,789</u>
Balance as at 1 January 2010	102,261	108,612	-	12,544	14,720	(41,348)	196,789
Net loss for the year	-	-	-	-	-	(105,223)	(105,223)
Issue of new ordinary shares 20(a)	20,000	18,877	-	-	-	-	38,877
Reserve for shares to be issued 20(c)	10,667	4,053	-	-	(14,720)	-	-
Capital reorganisation 20(a)	(84,696)	-	84,696	-	-	-	-
Written off of accumulated loss 20(a)	-	-	(41,348)	-	-	41,348	-
Balance as at 31 December 2010	<u>48,232</u>	<u>131,542</u>	<u>43,348</u>	<u>12,544</u>	<u>-</u>	<u>(105,223)</u>	<u>130,443</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Loss before taxation		(109,309)	(119,168)
Adjustments for:			
Interest income	4	(8)	(633)
Share of profit of an associate	9	(80)	(256)
Loss / (gain) on disposal of property, plant and equipment	5(b)	80	(137)
Finance costs	5(c)	320	197
Depreciation	10	731	2,363
Amortisation of intangible assets	11	10,864	6,902
Impairment of:			
- intangible assets	11	77,100	90,368
- other investment	13	6,065	-
Equity settled share-based payment	19(c)	-	2,844
Foreign exchange loss		1,686	497
		(12,551)	(17,023)
(Increase) / decrease in trade and other receivables		(12,842)	27,960
Decrease in other payables and accruals		(15,008)	(20,231)
		(40,401)	(9,294)
Interest received		8	633
Interest paid		(320)	(197)
Income taxes paid		-	(79)
Net cash used in operating activities		(40,713)	(8,937)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010 (continued)
(Expressed in Hong Kong dollars)

	Note	2010 \$'000	2009 \$'000
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(139)	(203)
Acquisition of a subsidiary net with cash acquired		-	(48,100)
Acquisition of non-controlling interest		-	(12,880)
Acquisition of intangible assets	11	-	(1,306)
Acquisition of other investment	13	-	(2,442)
Proceeds from disposal of property, plant and equipment		81	190
		(58)	(64,741)
Cash flows from financing activities			
Repayment of finance lease obligations		(157)	(146)
Dividend paid to non-controlling interest		-	(105)
Issue of shares, net of issue costs	20(a)	38,877	22,655
		38,720	22,404
Net cash generated from financing activities		38,720	22,404
Net decrease in cash and cash equivalents		(2,051)	(51,274)
Cash and cash equivalents at 1 January		14,258	65,943
Effect of exchange rate fluctuations on cash held		469	(411)
Cash and cash equivalents at 31 December	16	12,676	14,258

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the board of directors on 29 March 2011.

1 Reporting entity

The Company was incorporated on 13 August 2003 in Bermuda with limited liability. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 8 to the financial statements. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company was admitted to the Official List of the SGX-ST Dealing and Automated Quotation System ("SESDAQ") on 21 May 2004. SGX-ST has launched Catalist, a new sponsor-supervised board for fast-growing companies to replace SESDAQ in 2007. The Company completed the transition to the Catalist sponsor supervised regime on 20 October 2008.

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of preparation

Following the scaling down of the Group's core businesses (namely provision of IT consulting and IT support services), the Group is undergoing a business restructuring by actively seeking other business opportunities in the market in recent years. In particular, the Company acquired two subsidiaries, Brilliant Time Limited ("BTL") and China RFID Limited ("RFID"), in 2008 and 2009 to be the major profit generators of the Group in the foreseeable future. However, as the financial performance of BTL and RFID since acquisition was low, impairment losses have been recognised against goodwill and other intangibles arising from these investments as follows:

(i) BTL

The principal activities of BTL are the provision of IT services and trading of IT equipment. Since BTL was acquired by the Company, the financial performance of BTL was low. The directors have performed an impairment testing of the cash generating units of BTL and recognised impairment losses against the carrying amount of goodwill and customer relationships as at 31 December 2010.

Details of the assumptions used in preparing the cash flow projections and financial budgets and information regarding the calculation of value in use of the cash generating units of BTL are set out in note 11.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2 Basis of preparation (continued)

(b) Basis of preparation (continued)

(ii) RFID

The Group acquired RFID in 2009 after it had obtained an exclusive distributorship right to trade radio frequency identification chips ("RFID business") in the PRC. The exclusive distributorship agreement was signed in September 2009 with a contract term of two years and it is subject to renewal. The valuation of the exclusive distributorship right as at the date of acquisition of RFID was \$98.3million. Due to a delay in the pilot testing of the RFID chips by the end-user customer, as of 31 December 2010, no income has been generated from the RFID business. Accumulated impairment loss amounted to \$81.4million was recognised as at 31 December 2010 and, taking account of accumulated amortisation of \$11.3million, the carrying amount of exclusive distributorship right was \$5.6 million as at 31 December 2010 (see note 11).

As explained in notes 2(e) and 24, the impairment review process requires the exercise of significant judgement by management at each reporting date, based on available information, estimates, and assumptions about future cash flows and profitability, and is therefore an inherently uncertain process. The management considers that in preparing these financial statements they have taken into account all information that could reasonably be expected to be available and that the basis of preparation is appropriate.

Management is continuing to focus on developing these businesses and in particular, following receipt of the first batch order from the customer in January 2011 for use in the pilot site of the project in Shandong, the management is confident that RFID will begin generating revenue, as well as positive cash flow for the Group on an ongoing basis from FY2011 onwards. Any revisions to accounting estimates, other than relating to reversals of impairment losses recognised against goodwill, will be recognised in the periods in which the estimates are revised.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the available-for-sale financial assets which are measured at fair value in the statement of financial position.

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2 Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 24.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Accounting for business combinations

The Group has early adopted IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations occurring in the financial year starting 1 January 2009.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisition on or after 1 January 2009

For acquisitions on or after 1 January 2009, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
 - the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Accounting for business combinations (continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's award) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2004 and 1 January 2009

For acquisitions between 1 January 2004 and 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of acquisition.

(ii) Accounting for acquisition of non-controlling interests

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) for acquisitions of non-controlling interests.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

In the Company's statements of financial position, the investment in subsidiaries is stated at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

- (iv) Investment in an associate (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% to 50% of the voting power of another entity.

Investment in an associate is accounted for using the equity method (equity accounted investees) and recognised initially at cost. The cost of investment includes transaction cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest including any long-term investments is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

- (v) Transactions eliminated on consolidation

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

(b) Foreign currency

- (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve in equity.

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives are as follows:

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

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

(d) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Other intangible assets

Other intangible assets represent the customer relationship, lease agreement for exclusive distributorship rights and software system that are acquired by the Group, which has finite useful lives, are measured at cost less accumulated amortisation and impairment losses (see note 3(h)).

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(d) Intangible assets (continued)

(iv) Amortisation (continued)

The estimated useful lives are as follows:

Customer relationship	10 years
Lease agreement for exclusive distributorship rights	Shorter of 10 years or the lease term
Software system	5 years

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

(e) Other assets

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

(f) Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(g) Financial instruments

(i) Non-derivative financial assets

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(g) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the above categories of financial assets. Certain other receivables and intangible assets of the Group are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)(i)) and foreign currency differences on available-for-sale debt instruments (see note 3(b)(i)), 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.

(ii) Non-derivative financial liabilities

The Group's financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions on the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(g) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using effective interest method.

(iii) Ordinary shares

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

(h) Impairment

(i) Non-derivative financial assets

Non-derivative financial assets comprise other investment, trade and other receivables, amount due from subsidiaries, and cash and cash equivalents.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(h) Impairment (continued)

(i) Non-derivative financial assets (continued)

Trade and other receivables

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets - other investment

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale financial assets is recognised in other comprehensive income.

(ii) Non-financial assets

Non-financial assets comprise investments in subsidiaries, interest in an associate, property, plant and equipment, intangible assets, other assets and prepayments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
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3 Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

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

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
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3 Significant accounting policies (continued)

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Short-term benefits

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

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

(iv) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as staff costs, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(l) Revenue

(i) Provision of services

Revenue from the provision of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the services performed to date as a percentage of total services to be performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

(ii) Licence fee income

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

(iii) Sales of goods

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

(iv) Interest income

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

(m) Lease payments

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

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

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
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3 Significant accounting policies (continued)

(m) Lease payments (continued)

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(n) Finance income and finance costs

Finance income comprises dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
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3 Significant accounting policies (continued)

(p) Segment reporting (continued)

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(r) Determination of fair values

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

(i) Intangible assets

The fair value of customer relationship is determined using the discounted cash flow method taking into account of attrition rate of 20% on the existing customers for the coming 10 years, whereby the value is estimated as the present value of the future profits from the customers and discounted at the market rate of interest at the reporting date.

(ii) Trade and other receivables

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

(iii) Other investment

The fair value of other investment is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation technique employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

(iv) Other payables and accruals and finance leases

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

NOTES TO THE FINANCIAL STATEMENTS

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4 Revenue and operating segments

The Group comprises two reportable segments (i) provision of IT services (ii) trading of IT equipment. 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 reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment result is used to measure performance as management believes that such information is the most relevant information in evaluating the results of certain segments relative to other entities that operate within these industries.

(a) Information about reportable segments and reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Year ended 31 December 2010			
	Provision of IT services \$'000	Trading of IT equipment \$'000	Unallocated \$'000	Total \$'000
Revenue (including other operating income)	9,401	11,090	502	20,993
Reportable segment results	(55,170)	(28,413)	(5,563)	(89,146)
Unallocated expenses				(19,923)
Finance costs				(320)
Share of profits of associates				80
Income tax expense				(1,029)
Loss for the year				(110,338)
Segment assets and total assets	30,000	67,210	49,871	147,081
Segment liabilities and total liabilities	4,309	9,810	1,111	15,230
Capital expenditure	-	-	909	909
Depreciation	107	624	-	731
Amortisation	1,787	9,077	-	10,864
Impairment	57,057	20,043	6,065	83,165

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
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4 Revenue and operating segments (continued)

(a) Information about reportable segments and reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	Year ended 31 December 2009			
	Provision of IT services \$'000	Trading of IT equipment \$'000	Unallocated \$'000	Total \$'000
Revenue (including other operating income)	16,334	13,996	633	30,963
Reportable segment results	(4,870)	(86,287)	338	(90,819)
Unallocated expenses				(28,408)
Finance costs				(197)
Share of profits of associates				256
Income tax credit				302
Loss for the year				(118,866)
Segment assets and total assets	178,257	34,161	16,751	229,169
Segment liabilities and total liabilities	15,590	1,672	11,598	28,860
Capital expenditure	-	-	641	641
Depreciation	2,068	-	295	2,363
Amortisation	3,076	3,826	-	6,902
Impairment	6,755	83,613	-	90,368
Other material items:				
			The Group	
			2010	2009
			\$'000	\$'000
Interest income from cash at bank			8	633
Interest income from other investment (note 13)			494	-
			502	633

During the year, the Group received non-refundable lump sum licence fees totalling \$1,200,000 (2009: \$2,200,000) from certain independent customers for the licensed uses of the Group's computer application systems for a period ranging from five to eight years. The Group has recognised the licence fees as income upon the customers' acceptance of the licensed system, as the Group has no substantial remaining obligations to perform in accordance with the terms of the licence agreements. The Group has neither balances nor transactions between segments for the years ended 31 December 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

4 Revenue and operating segments (continued)

(b) Geographical information

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

	2010 \$'000	2009 \$'000
Revenue		
PRC	20,491	30,330
Unallocated revenue	502	633
	<u>20,993</u>	<u>30,963</u>
Capital expenditure		
PRC	2	-
Hong Kong	907	641
	<u>909</u>	<u>641</u>
Segment assets		
PRC	132,049	107,217
Hong Kong	14,974	121,758
Singapore	58	194
	<u>147,081</u>	<u>229,169</u>

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

Major customer

Revenues from one customer of the Group's trading of IT equipment segment represents approximately \$8,316,000 or 39.6% (2009: \$8,854,000 or 28.6%) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

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5 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Staff costs

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Salaries and allowances	6,915	10,391	1,779	1,737
Contributions to defined contribution retirement plans	472	513	-	-
Equity settled share-based payment (note 19(c))	-	2,844	-	1,150
Other welfare and benefits	249	227	-	-
	<u>7,636</u>	<u>13,975</u>	<u>1,779</u>	<u>2,887</u>
Remuneration of directors included in staff costs:				
- Directors of the Company	2,409	3,269	1,089	2,069
- Other directors	<u>1,206</u>	<u>2,313</u>	<u>546</u>	<u>546</u>

(b) Other expenses

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-audit fees paid to				
- auditors of the Company	76	58	-	-
- other auditors	29	36	-	-
Consultancy and subcontracting fees	5,620	9,305	-	-
Operating lease charges in respect of properties	1,617	1,698	-	-
Promotion and marketing expenses	2,210	1,933	14	17
Travelling expenses	2,763	2,751	92	93
Loss / (gain) on disposal of property, plant and equipment	80	(137)	-	-
Net exchange (gain) / loss	(90)	331	102	20
Legal and professional fee	2,842	2,824	2,473	1,926
Others	2,760	4,939	152	168
	<u>17,907</u>	<u>23,738</u>	<u>2,833</u>	<u>2,224</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
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5 Loss before taxation (continued)

(c) Finance costs

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest expense on				
- secured bank loan	297	183	-	-
- finance lease obligations	23	14	-	-
	320	197	-	-

6 Income tax (expense)/credit

(a) Income tax in the income statement represents:

	The Group	
	2010 \$'000	2009 \$'000
Deferred tax (expense)/credit (note 18)	(1,029)	302
	(1,029)	302

(b) Reconciliation of effective tax rate:

	The Group	
	2010 \$'000	2009 \$'000
Consolidated loss before taxation	(109,309)	(119,168)
Applicable tax rate in Hong Kong	16.5%	16.5%
Expected taxation	(18,036)	(19,663)
Adjustments:		
Tax rate differential of subsidiaries	(655)	(329)
Tax effect of impairment loss not recognised	1,334	-
Tax effect of non-taxable income	(2,259)	(2,619)
Tax effect of non-deductible expenses	16,990	19,571
Reversal of deferred tax assets provided in prior years	1,029	-
Tax effect of tax losses not recognised	2,626	2,738
	1,029	(302)

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6 Income tax credit (continued)

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

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, 1996, 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.

The Group's profits derived in Hong Kong are subject to Hong Kong profits tax at 16.5% (2009: 16.5%). No provision for Hong Kong profits tax was made, as there was no assessable profits for Hong Kong profits tax for the year (2009: nil).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new Corporate Income Tax Law of the People's Republic of China ("new tax law") which has taken effect on 1 January 2008. Pursuant to the notice on the Implementation Rules of the Grandfather Relief under the new tax law, Guofa (2007) No. 39, issued on 26 December 2007 by the State Council, the income tax rate applicable to the subsidiary of the Company in the PRC which had enjoyed preferential tax rates before 1 January 2008 will be gradually increased from the preferential income tax rates to 25% over a five-year transition period commencing from 1 January 2008. The applicable income tax rate is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

Armarda Zhuhai was subject to PRC income tax rate of 22% and 20% for 2010 and 2009 respectively.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax is levied on dividends declared to foreign investors from a PRC entity effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. Since Armarda Zhuhai is wholly owned by Armarda Technology (Hong Kong) Limited, a Hong Kong registered company, the applicable withholding tax rate is 5%. On 22 February 2008, Caishui (2008) No.1 was promulgated by the tax authorities to specify that dividends from the retained earnings as at 31 December 2007 are exempted from the withholding tax. No deferred withholding tax recognised as at 31 December 2010 (2009: \$250,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

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7 Loss per share

(a) Basic loss per share

The calculation of basic loss per share at 31 December 2010 was based on the Group's loss attributable to equity shareholders of \$108,366,000 (2009: loss of \$97,813,000) and the weighted average number of ordinary shares of 673,499,000 (2009: 461,382,000) in issue during the year.

Weighted average number of ordinary shares

	2010 '000	2009 '000
Issued ordinary shares at 1 January	511,307	388,182
Effect of new ordinary shares issued (note 20)	162,192	73,200
	<u>673,499</u>	<u>461,382</u>
Weighted average number of ordinary shares at 31 December	<u>673,499</u>	<u>461,382</u>

(b) Diluted earnings per share

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

8 Investments in subsidiaries

	The Company	
	2010 \$'000	2009 \$'000
Unlisted shares, at cost	67,633	67,633
Less: Impairment loss	(67,633)	(43,546)
	<u>-</u>	<u>24,087</u>

Certain subsidiaries sustained losses this year and impaired the carrying amount of assets which caused the Company to perform an assessment of the recoverable amount of investments in subsidiaries. The estimates of recoverable amount were based on the present value of the estimated future cash flow generated by the subsidiaries. Based on this assessment, impairment loss amounted to \$24,087,000 (2009: \$43,546,000) was recognised in the profit or loss for the year and the carrying amount of the investments in subsidiaries was written down by \$67,633,000 (2009: \$43,546,000).

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8 Investments in subsidiaries (continued)

Particulars of the subsidiaries as at 31 December 2010 are set out below:

Name of subsidiary	Principal activities	Date and place of incorporation/ establishment	Effective interest held by the Group
Armarda Holdings Limited (i)	Investment holding	5 May 2003 British Virgin Islands ("BVI")	100%
Armarda Technology Services Limited (i)	Provision of IT consulting and IT support services	29 November 2001 BVI	100%
Armarda International Inc. (i)	Investment holding	25 June 2003 BVI	100%
Armarda eAccess Technology Limited (i)	Investment holding	29 August 2007 BVI	100%
Armarda Technology (Zhuhai) Limited (ii)	Provision of IT services & trading of IT equipment	28 March 2003 The PRC	100%
Armarda Technology (Hong Kong) Limited (iii)	Provision of IT consulting and IT support services	17 March 2003 Hong Kong	100%
Armarda Technology (Singapore) Pte. Ltd. (iv)	Liaison office	14 May 2003 Republic of Singapore	100%
Brilliant Time Limited (i)	Provision of IT services & trading of IT equipment	28 January 2000 BVI	100%
China RFID Limited (i)	Trading of RFID chips #	16 May 2008 BVI	75%

The company is at the set-up stage as at 31 December 2010 and did not commence business during the year.

(i) The financial statements of Armarda Holdings Limited, Armarda Technology Services Limited, Armarda International Inc., Armarda eAccess Technology Limited, Brilliant Time Limited and China RFID Limited are not required to be audited under the laws of the British Virgin Islands, their country of incorporation.

(ii) Armarda Technology (Zhuhai) Limited is a wholly foreign invested enterprise established in the PRC and its statutory financial statements were audited by Zhuhai Huaqi Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants.

(iii) The statutory financial statements of Armarda Technology (Hong Kong) Limited were audited by KPMG Hong Kong, a firm of Certified Public Accountants under Section 28A of the Professional Accountants Ordinance, Chapter 50 in Hong Kong.

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8 Investments in subsidiaries (continued)

- (iv) The statutory financial statements of Armarda Technology (Singapore) Pte. Ltd. were audited by KPMG LLP Singapore, Certified Public Accountants, a member of the Institute of Certified Public Accountants of Singapore.

9 Interest in an associate

	The Group	
	2010 \$'000	2009 \$'000
Share of net assets	22,330	21,501
Goodwill	2,923	2,923
	25,253	24,424

Particulars of the associate as at 31 December 2010 are set out below:

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

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

Summary financial information on the associate

	Assets \$'000	Liabilities \$'000	Equity \$'000	Revenues \$'000	Profit \$'000
2010					
100 per cent	58,150	(8,527)	49,623	65,327	177
Group's effective interest	26,167	(3,837)	22,330	29,397	80
2009					
100 per cent	52,175	(4,396)	47,779	65,450	569
Group's effective interest	23,479	(1,978)	21,501	29,453	256

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10 Property, plant and equipment

The Group

	Leasehold properties \$'000	Leasehold improvements \$'000	Furniture fixtures, computer and other equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
As at 1 January 2009	9,516	2,756	13,559	1,404	27,235
Additions	-	-	42	599	641
Disposals	-	-	-	(809)	(809)
Exchange adjustments	14	4	17	1	36
As at 31 December 2009	9,530	2,760	13,618	1,195	27,103
As at 1 January 2010	9,530	2,760	13,618	1,195	27,103
Additions	-	10	18	881	909
Disposals	-	-	(59)	(493)	(552)
Exchange adjustments	332	86	323	21	762
As at 31 December 2010	9,862	2,856	13,900	1,604	28,222
Accumulated depreciation:					
As at 1 January 2009	2,209	2,634	11,669	1,161	17,673
Charge for the year	441	120	1,629	173	2,363
Written back on disposal	-	-	-	(756)	(756)
Exchange adjustments	3	4	15	1	23
As at 31 December 2009	2,653	2,758	13,313	579	19,303
As at 1 January 2010	2,653	2,758	13,313	579	19,303
Charge for the year	449	6	58	218	731
Written back on disposal	-	-	(48)	(83)	(131)
Exchange adjustments	100	85	319	17	521
As at 31 December 2010	3,202	2,849	13,642	731	20,424
Net book value:					
As at 31 December 2010	6,660	7	258	873	7,798
As at 31 December 2009	6,877	2	305	616	7,800

During 2010, a motor vehicle held under a finance lease was purchased and disposed of in the same year. Another new motor vehicle was purchased under finance lease with net book value of \$520,000 as at 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

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11 Intangible assets

The Group

	Goodwill \$'000	Customer relationship \$'000	Lease agreement for exclusive distributorship rights \$'000	Software system \$'000	Total \$'000
Cost:					
As at 1 January 2009	61,009	40,859	-	-	101,868
Additions	-	-	98,293	2,610	100,903
Transfer to other investment	-	-	-	(2,610)	(2,610)
As at 31 December 2009	61,009	40,859	98,293	-	200,161
As at 1 January 2010 and 31 December 2010	61,009	40,859	98,293	-	200,161
Amortisation and impairment losses:					
As at 1 January 2009	-	4,086	-	-	4,086
Impairment	8,973	-	81,395	-	90,368
Amortisation	-	4,086	2,816	-	6,902
As at 31 December 2009	8,973	8,172	84,211	-	101,356
As at 1 January 2010	8,973	8,172	84,211	-	101,356
Impairment	52,036	25,064	-	-	77,100
Amortisation	-	2,415	8,449	-	10,864
As at 31 December 2010	61,009	35,651	92,660	-	189,320
Carrying amounts:					
As at 31 December 2010	-	5,208	5,633	-	10,841
As at 31 December 2009	52,036	32,687	14,082	-	98,805

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11 Intangible assets (continued)

(a) Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group (cash-generated units, "CGUs") at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 4. The aggregate carrying amounts of goodwill allocated to the provision of IT services segment and the trading of IT equipment segment were \$45,264,000 and \$15,745,000 respectively.

The recoverable amounts of the two CGUs were determined based on their value in use by applying the discounted cash flow model to each of the two CGUs.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2010 was determined similarly as in 2009. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 10-year business plan prepared in 2010.
- The revenue in 2011 was projected based on the actual revenue in 2010. The management expects the two CGUs remain stable in the coming years and the anticipated annual revenue growth included in the cash flow projections for the years 2012 to 2021 has been based on average growth of 1 percent. Cash flows after 10-year period were extrapolated using constant sales with no growth according to management's projection.
- An after-tax discount rate of 18.3% (2009: 13.6%) was applied in determining the recoverable amount of the units. The discount rate was estimated based on risk profile, current macroeconomic situations and industry average weighted average cost of capital applicable to the characteristics and situation of the Group.

The carrying amounts of the two CGUs were determined to be higher than its recoverable amounts. Goodwill was impaired in full during the current year. Impairment loss amounted to \$52,036,000 (2009: \$8,973,000) was recognised in the profit or loss on goodwill during the year, where \$38,509,000 (2009:\$6,755,000) and \$13,527,000 (2009: \$2,218,000) were related to the provision of IT services segment and the trading of IT equipment segment respectively.

(b) Customer relationship

Customer relationship represents the value of the customer base identified when BTL was acquired in 2008. The customer relationships were included in the two CGUs mentioned in note 11(a) where the recoverable amounts of the CGUs were estimated based on their value in use determined by discounting the future cash flows generated from the continuing use of the units.

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for the year ended 31 December 2010
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11 Intangible assets (continued)

(b) Customer relationship (continued)

The carrying amounts of the CGUs were determined to be higher than their recoverable amounts. After allocation of the impairment loss to the goodwill, the remaining impairment loss was allocated to customer relationships, of which \$18,548,000 (2009: nil) and \$6,516,000 (2009: nil) were related to the provision of IT services segment and the trading of IT equipment segment respectively.

(c) Lease agreement for exclusive distributorship rights

The lease agreement for exclusive distributorship rights relates to the right to trade radio frequency identification chip ("RFID chips") in the PRC. RFID is in the chain of the distribution of RFID chips in the PRC through a series of exclusive distributorship agreements. RFID has entered into an agreement with the sole customer, China Vision Intelligent Card Reader Co., Ltd ("China Vision") in connection with the 3-year exclusive distributorship rights for RFID chips from 8 September 2009. China Vision has on the other hand entered into an agreement with the ultimate customer, a PRC government authority in connection with the 2-year exclusive distributorship rights on chips procurement for the e-passport and other e-travel documents.

In order to trade RFID chips in the PRC in the capacity of RFID, the Group has acquired 75% equity interest in RFID and paid \$73,720,000 to the Vendors for the 75% sharing of the exclusive distributorship rights. The management has determined the total consideration on the basis of a 10-year cash flow forecast at a pre-tax discount rate of 23.65% at the date of acquisition. Since the agreement signed by China Vision with the PRC government authority was for a 2-year period and it is uncertain whether China Vision can subsequently renew the terms to a longer period when the agreement expires, the management re-assessed the recoverability of the lease agreement by discounting the cash flow projections for the 2-year period and impaired \$81,395,000 which is recognised in profit or loss for the year ended 31 December 2009. The recoverable amount of the lease agreement of \$16,898,000 is determined to be amortised over 2 years in accordance with the terms of agreement signed with the ultimate customer and the Group recognised an amortization expense for the year of \$2,816,000 in profit or loss for the year ended 31 December 2009.

12 Amounts due from subsidiaries

	The Company	
	2010 \$'000	2009 \$'000
Amounts due from subsidiaries	215,408	173,229
Less: impairment loss	(84,266)	-
	<u>131,142</u>	<u>173,229</u>

The amounts due from subsidiaries are non-trade balances, unsecured and repayable upon demand, in which an amount of \$154,847,000 (2009: \$147,474,000) is interest-bearing at prevailing commercial rate (5% per annum at 31 December 2010 and 2009). The remaining balances are interest free and the Company expects that the amounts will not be repaid within one year.

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12 Amounts due from subsidiaries (continued)

Certain subsidiaries sustained losses this year and impaired the carrying amount of assets caused the Company to perform an assessment of the recoverable amount of amounts due from subsidiaries. The estimates of recoverable amount were based on the present value of the estimated future cash flow generated by the subsidiaries. Based on these assessments, impairment loss amounted to \$84,266,000 (2009: nil) was recognised in the profit or loss for the year.

13 Other investment

	The Group	
	2010 \$'000	2009 \$'000
Non-current investment		
Available-for-sale financial asset	12,728	5,052
Exchange adjustment	91	-
Less: Impairment loss	(6,065)	-
	<u>6,754</u>	<u>5,052</u>

Available-for-sale financial asset represents the Group's granting of authorisation to use a software system for 5 years from 2009, which represents the estimated useful life of the systems and the working capital advance made to a third party at the year end.

In 2009, the Group signed an agreement with a third party to grant an authorisation to use a software system amounting to \$2,612,000 equivalent (RMB 2,300,000), and made capital advance to the third party amounting to \$2,440,000 at the year end. In return, the Group was entitled to share 25% of the advertising revenue (net with business tax) for a 5-year period from 2010 to 2015.

The balance as at 31 December 2010 represented the Group's authorisation to use a software system amounting to \$2,612,000, and capital advance to the third party amounting to \$10,116,000 at the year end. During 2010, \$7,676,000 was transferred from other receivables to other investment as capital advance and in return for an increase to 28% sharing of the advertising revenue of the third party for 15 years from 2011.

During 2010, the Group recognised an interest income amounting to \$494,000 (2009: nil) using effective interest method by applying an interest rate of 10.6% as other income .

The recoverable amount was determined based on its value in use by applying the discounted cash flow model.

Recoverable amount is determined by projecting future cash flows based on the actual revenue sharing and the 5-year business plan prepared in 2010. Cash flows after 5-year period up to the contract term were extrapolated using a constant growth rate of 5 percent.

The carrying amount was determined to be higher than its recoverable amount and impairment loss of \$6,065,000 (2009: nil) was recognised in profit or loss for the year.

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14 Other assets

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

15 Trade and other receivables

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables	14,848	17,664	-	-
Refundable acquisition deposits ⁽ⁱ⁾	36,005	22,678	-	-
Short term advances	3,701	19,378	-	-
Other prepayments and receivables ⁽ⁱⁱ⁾	28,272	18,210	133	132
	<u>82,826</u>	<u>77,930</u>	<u>133</u>	<u>132</u>

⁽ⁱ⁾ Refundable acquisition deposits

On 28 November 2008, the Group entered into a non-binding conditional letter of intent to acquire a company and RMB20,000,000 was paid by the Group to the shareholder of the company as a deposit. The deposit is refundable at the Group's management sole discretion. At 31 December 2010, the deposit amounted to \$23,505,000 (2009: \$22,678,000). The Group subsequently entered into an agreement with the shareholder of the company on 18 January 2011, for the termination of the proposed acquisition and the deposit was fully refunded to the Group subsequent to the year end.

On 13 December 2010, the Group entered into a sales and purchase agreement to acquire 25% equity interest in China RFID Limited from the non-controlling shareholder with total consideration of \$25,000,000. As at 31 December 2010, \$12,500,000 was paid by the Group to the non-controlling shareholder of China RFID Limited as a deposit. According to the terms stated in the sales and purchase agreement, completion shall take place upon the shareholder's approval in a general meeting and the settlement of the remaining \$5,000,000 cash consideration as well as issuance of 50,000,000 shares. Up to the date of issuance of the financial statements, the general meeting has not yet been conducted.

⁽ⁱⁱ⁾ Other prepayments and receivables

On 15 December 2010, the Group made short term advances of RMB21,500,000 to a PRC company. As at 31 December 2010, the advance amounted to \$25,267,000 (2009: nil). The amount was fully repaid subsequent to the year end.

On 18 December 2009, the Group made short term advances of RMB13,000,000 to a PRC company. As at 31 December 2009, the advance amounted to \$14,764,000. The amount was subsequently repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
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15 Trade and other receivables (continued)

The aging of trade receivables at the reporting date was:

	The Group	
	2010	2009
	\$'000	\$'000
Current	4,803	6,533
Less than 3 months past due	825	-
More than 3 months but less than 12 months past due		10,989
More than 12 months past due	9,220	142
Amounts past due	<u>10,045</u>	<u>11,131</u>
	<u>14,848</u>	<u>17,664</u>

The credit terms granted to customers is 15 to 270 days. The recoverability of trade receivables are closely monitored by the management on project basis. Trade receivables that were past due but not impaired related to a number of independent customers that have good track record with the Group. Based on historic default rates, the management believes that no impairment allowance is necessary in respect of trade receivables balance. All of the trade and other receivables are expected to be recoverable.

The Group's exposure to credit, liquidity and currency risks related to trade and other receivables are disclosed in note 21.

16 Cash and cash equivalents

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	12,676	14,258	4	4
	<u>12,676</u>	<u>14,258</u>	<u>4</u>	<u>4</u>

As at 31 December 2010, the effective interest rate of cash and cash equivalents was 0.3% (2009: 0.5%) per annum. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 21.

NOTES TO THE FINANCIAL STATEMENTS

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17 Obligations under finance lease

As at 31 December 2010, the Group had obligations under two finance leases that are repayable as follows:

The Group

	2010			2009		
	Principal \$'000	Interest \$'000	Total minimum lease payments \$'000	Principal \$'000	Interest \$'000	Total minimum lease payments \$'000
Repayable within 1 year	203	27	230	109	15	124
Repayable after 1 year but within 5 years	487	63	550	228	32	260
	<u>690</u>	<u>90</u>	<u>780</u>	<u>337</u>	<u>47</u>	<u>384</u>

No contingent rents are payable under the terms of the finance leases. The finance leases carried implicit fixed interest rate of 2.5% to 3.5% (2009: 3.5%) per annum.

18 Deferred tax (assets) / liabilities

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

	Fixed assets depreciation	Trade receivables	Accrued expenses	Withholding tax	Others	Total
Balance as at 1 January 2009	(1,002)	2,908	(381)	730	90	2,345
Charged / (credited) to be consolidated profit or loss	(263)	588	(194)	(480)	47	(302)
Balance as at 31 December 2009	<u>(1,265)</u>	<u>3,496</u>	<u>(575)</u>	<u>250</u>	<u>137</u>	<u>2,043</u>
Balance as at 1 January 2010	(1,265)	3,496	(575)	250	137	2,043
Charged / (credited) to be consolidated profit or loss	1,265	(600)	575	(250)	39	1,029
Balance as at 31 December 2010	<u>-</u>	<u>2,896</u>	<u>-</u>	<u>-</u>	<u>176</u>	<u>3,072</u>

NOTES TO THE FINANCIAL STATEMENTS

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18 Deferred tax (assets) / liabilities (continued)

The Group has not recognised deferred tax assets in respect of tax losses totalling \$14,531,000 (2009: \$14,433,000), \$27,515,000 (2009: \$19,478,000) and \$12,395,000 (2009: 6,564,000) incurred by the Group's operations in Singapore, Hong Kong and the PRC respectively, as their utilisation in the foreseeable future cannot be reasonably ascertained.

There were no material unprovided deferred tax liabilities as at 31 December 2010 and 2009.

19 Share-based payments

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

During the year, 1 (2009: nil) participant resigned from the Group and 400,000 (2009: nil) share options lapsed. As at 31 December 2010, 26 (2009: 27) participants remained eligible for the Share Option Scheme.

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

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

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

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19 Share-based payments (continued)

The number of share options is as follows:

	Number of options 2010 '000	Number of options 2009 '000
Outstanding as at 1 January	23,700	23,700
Lapsed during the year	400	-
Outstanding as at 31 December	<u>23,300</u>	<u>23,700</u>
Exercisable as at 31 December	<u>23,300</u>	<u>23,700</u>

(b) Fair value of options and assumptions

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

Fair value of options and assumptions

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

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

(c) Staff costs charged to profit or loss

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Staff costs arising from Share Option Scheme transactions	<u>-</u>	<u>2,844</u>	<u>-</u>	<u>1,150</u>

NOTES TO THE FINANCIAL STATEMENTS

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20 Capital and reserve

(a) Share capital

The Company

	2010 \$'000	2009 \$'000
Authorised:		
3,600,000,000 ordinary shares of \$0.05 each (2009: 900,000,000 ordinary shares of \$0.20 each)	<u>180,000</u>	<u>180,000</u>
Issued and fully paid:		
964,640,474 ordinary shares of \$0.05 each (2009: 511,307,140 ordinary shares of \$0.20 each)	<u>48,232</u>	<u>102,261</u>

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

	Number of ordinary shares of \$0.20 each	\$'000
Authorised:		
Balance at 31 December 2009	<u>900,000,000</u>	<u>180,000</u>
	Number of ordinary shares of \$0.05 each	\$'000
Balance at 31 December 2010	<u>3,600,000,000</u>	<u>180,000</u>
By a special resolution passed on 30 April 2010, the authorised share capital of the Company was changed from 900,000,000 shares of par value of \$0.2 each to 3,600,000,000 shares of par value of \$0.05 each.		
Issued and fully paid:		
Balance at 1 January 2009	388,182,140	77,636
Issue of new ordinary shares during the year	123,125,000	24,625
Balance at 31 December 2009	<u>511,307,140</u>	<u>102,261</u>
Balance at 1 January 2010	511,307,140	102,261
Issue of new shares during the year	453,333,334	30,667
Capital reorganisation	-	(84,696)
Balance at 31 December 2010	<u>964,640,474</u>	<u>48,232</u>

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for the year ended 31 December 2010
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20 Capital and reserve (continued)

(a) Share capital (continued)

On 6 January 2010, 53,333,334 new ordinary shares of the Company were issued in connection with the acquisition of China RFID Limited, at an issue price of \$0.30 or approximately SGD0.054 per share by reference to a premium of 12.5% to the average closing price of the shares of approximately SGD0.048 as transacted for the five days prior to and including 22 December 2009.

By a special resolution passed on 30 April 2010, the issued and paid up share capital of the Company was reduced from \$112,928,000 divided into 564,640,474 shares of par value \$0.20 each to \$28,232,000 divided into 564,640,474 Shares of par value \$0.05 each. As a result of the capital reduction, the authorised share capital of the Company has been changed to 3,600,000,000 shares of par value \$0.05 each, and the amount of \$84,696,000 arising from the capital reorganisation was credited to the contributed surplus account of the Company, of which approximately \$41,348,000 was utilised during the year to net off against the accumulated losses of the Company.

On 22 September 2010, the Company issued 400,000,000 new ordinary shares at an issue price of \$0.10 for each placement share by way of private placement to certain independent parties. The net proceeds from the share issue amounted to \$38,877,000 (net of issue costs of \$1,123,000).

(b) Capital management

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

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

Details of the debt-to-capital at 31 December 2010 was as follows:

	2010	2009
	\$'000	\$'000
Current liabilities:		
Other payables and accruals	11,019	26,046
Obligations under finance lease	203	109
	<u>11,222</u>	<u>26,155</u>
Non-current liabilities:		
Obligations under finance lease	487	228
	<u>487</u>	<u>228</u>
Total debt	<u>11,709</u>	<u>26,383</u>
Total capital	<u>130,443</u>	<u>196,789</u>
Debt-to-capital ratio	<u>9.0%</u>	<u>13.4%</u>

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

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for the year ended 31 December 2010
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20 Capital and reserves (continued)

(c) Reserves

Contributed surplus

The reserve arises from the capital reorganisation.

Foreign currency translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operation of the Company.

PRC statutory reserve

In accordance with the relevant PRC laws applicable to enterprises with foreign investment, Armarda Zhuhai is required to transfer at least 10% of its annual net profit determined under PRC accounting regulations to the general reserve. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.

Revaluation reserve

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

Employee share-based capital reserve

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

Reserve for shares to be issued

The reserve for shares to be issued relates to the share consideration paid for the lease agreement of exclusive rights by issuing 53,333,334 shares as transacted at 22 December 2009, which is the date of acquisition of China RFID Limited. The issue of shares was completed on 6 January 2010.

Other reserves

The reserve arises from the acquisition of non-controlling interest of BTL during the year. The Group recognised any premiums or discounts on purchase of equity instruments from non-controlling interest subsequent to the obtaining of control.

NOTES TO THE FINANCIAL STATEMENTS

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21 Financial risk management

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

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

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

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

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

(a) Market risk

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

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

(i) Foreign currency risk

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

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

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21 Financial risk management (continued)

(a) Market risk (continued)

- (i) Foreign currency risk (continued)

The Group's significant financial instruments denominated in a currency other than the functional currencies as at year end date were as follows:

Expressed in thousand of HKD

	The Group	
	2010	2009
Trade and other receivables		
HKD	32,149	33,886
SGD	17,880	16,363

The HKD denominated trade and other receivables represent inter-company balances within the Group which the Group entity's functional currency is RMB.

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

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
<i>HKD</i>				
SGD 1	5.7669	5.4578	6.0161	5.5375
RMB 1	1.1551	1.1348	1.1752	1.1357

Sensitivity analysis

A 10 percent weakening of the HKD against the SGD and RMB at 31 December would have increased / (decreased) profit or loss after tax by the amounts shown below respectively. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	2010 \$'000	2009 \$'000
SGD	1,484	1,342
RMB	(2,508)	(2,711)

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

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21 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

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

	Carrying amount	
	2010	2009
	\$'000	\$'000
Fixed rate instruments		
Obligations under finance lease	(690)	(337)
Variable rate instruments		
Cash and cash equivalents	12,676	14,258

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 10 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2010	2009
	\$'000	\$'000
10 basis points increase	11	12

A 10 basis points decrease would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant..

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

21 Financial risk management (continued)

(b) Credit risk

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

The cash and cash equivalents of the Group represent deposits and cash accounts with banks in Hong Kong, the PRC and Singapore. The carrying amounts of trade and other receivables (see note 15) represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk. No other financial assets carry a significant exposure to credit risk.

(c) Liquidity risk

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

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

31 December 2010

	The Group					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivative financial liabilities						
Obligations under finance lease	690	(780)	(115)	(115)	(231)	(319)
Other payables and accruals	11,019	(11,019)	(6,416)	(4,603)	-	-
	<u>11,709</u>	<u>(11,799)</u>	<u>(6,531)</u>	<u>(4,718)</u>	<u>(231)</u>	<u>(319)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

21 Financial risk management (continued)

(c) Liquidity risk (continued)

31 December 2009

	The Group					
	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000
Non-derivative financial liabilities						
Obligations under finance lease	337	(384)	(62)	(62)	(125)	(135)
Other payables and accruals	26,046	(26,046)	(17,637)	(8,409)	-	-
	<u>26,383</u>	<u>(26,430)</u>	<u>(17,699)</u>	<u>(8,471)</u>	<u>(125)</u>	<u>(135)</u>

31 December 2010

	The Company		
	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000
Non-derivative financial liabilities			
Other payables and accruals	836	(836)	(836)
	<u>836</u>	<u>(836)</u>	<u>(836)</u>

31 December 2009

	The Company		
	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000
Non-derivative financial liabilities			
Other payables and accruals	663	(663)	(663)
	<u>663</u>	<u>(663)</u>	<u>(663)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

21 Financial risk management (continued)

(d) Business risk

The Group's principal market is concentrated on enterprises operating in the PRC IT service sector which accounted for a significant proportion of the Group's total revenue for the year ended 31 December 2010. Accordingly, the Group's operating results and financial position could be significantly affected by any material changes in the business environment of the PRC IT service sector.

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

(e) Equity price risk

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

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

(f) Fair values

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

22 Operating lease commitments

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

	The Group	
	2010 \$'000	2009 \$'000
Payable as follows:		
- within 1 year	788	627
- after 1 year but within 5 years	19	32
	<u>807</u>	<u>659</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

23 Material related party transactions

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

24 Accounting estimates and judgements

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

(a) *Impairment review of property, plant and equipment, interest in associates, intangible assets and other investment*

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

Information about critical judgements made on impairment of intangible assets and other investment is included in note 11 and note 13.

(b) *Recognition of deferred taxes*

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

Information about critical judgements made on recognition of deferred taxes on tax loss is included in note 18.

25 Subsequent event

(a) *Issuance of new share of the Group*

On 27 January 2011, the Company issued 114,000,000 new ordinary shares at an issue price of \$0.216 or approximately SGD0.036 for each placement share by way of placement to certain independent parties.

(b) *Acquisition of a PRC company*

On 28 March 2011, the Group entered into a conditional sale and purchase agreement with certain vendors to acquire 45% of the equity interest in a target company, whose principal activity is to carry on business of operating mobile satellite telecommunication services and related sale of satellite telecommunication equipment businesses in the PRC. According to the conditional sale and purchase agreement, the total purchase consideration of approximately HK\$469 million will be payable in cash, loan notes and the issuance of new ordinary shares of the Group. Completion of this conditional sale and purchase agreement shall be subject to the relevant approvals from (i) the Securities Industry Council, (ii) the Group's Catalist Sponsor, (iii) SGX-ST and (iv) the Group's shareholders in a special general meeting. As at the date of this report, the special general meeting has not yet been conducted.

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION

as at 15 March 2011

Share Capital

Authorised share capital	- HK\$180,000,000
Issued and fully paid-up	- HK\$53,932,023.70
No. of treasury shares held	- Nil
Class of shares	- Ordinary shares of HK\$0.05 each
Voting rights	- On a show of hands : 1 vote for each shareholder - On a poll : 1 vote for each ordinary share

Public Shareholders

Based on information available to the Company as at 15 March 2011, 94.84% of the issued ordinary shares of the Company were held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited has been complied with.

Analysis Of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	6	0.22	786	0.00
1,000 - 10,000	719	25.83	4,303,000	0.40
10,001 - 1,000,000	2,017	72.48	169,875,118	15.75
1,000,001 and above	41	1.47	904,461,570	83.85
	<u>2,783</u>	<u>100.00</u>	<u>1,078,640,474</u>	<u>100.00</u>

Top 20 Shareholders

No.	Name	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	243,635,570	22.59
2	UOB Kay Hian Pte Ltd	147,744,638	13.70
3	Phillip Securities Pte Ltd	118,762,834	11.01
4	Verilink Group Limited	50,000,000	4.64
5	Hong Leong Finance Nominees Pte Ltd	47,300,000	4.39
6	Compelling Vision Technology Limited	44,381,277	4.11
7	Raffles Nominees (Pte) Ltd	39,881,000	3.70
8	HSBC (Singapore) Nominees Pte Ltd	30,450,000	2.82
9	Good Hope System Limited	25,000,000	2.32
10	Zhou Xiao Ping	15,625,000	1.45
11	Xi Chen	15,620,000	1.45
12	OCBC Securities Private Ltd	14,116,000	1.31
13	Tu Xiaojing	12,625,000	1.17
14	Chan Kim Hoo	11,000,000	1.02
15	Lim Bok Hoo	10,000,000	0.93
16	CIMB Securities (S) Pte Ltd	9,050,000	0.84
17	Cui Naiqing	9,000,000	0.83
18	DBS Nominees Pte Ltd	8,375,251	0.78
19	Fu Qiaoling	6,200,000	0.57
20	Ma Yue	5,100,000	0.47
		<u>863,866,570</u>	<u>80.10</u>

Substantial Shareholders

Based on information available to the Company as at 15 March 2011, the Company had no substantial shareholders.

**NOTICE OF ANNUAL
GENERAL MEETING**

Armarda Group Limited

(Incorporated In Bermuda)
Company Registration No. 34050

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2011 Annual General Meeting of Armarda Group Limited (the “**Company**”) will be held at Room 3501, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong and via teleconference at 112 Robinson Road, #03-02, Singapore 068902 on 23 April 2011 at 3.00 p.m. (the “**Annual General Meeting**”) to transact the following business:-

Ordinary Business

- 1 To receive and adopt the directors’ report and audited financial statements for the year ended 31 December 2010 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 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.
 - (b) Mr Gao Xiangjun
- 3 To consider and, if thought fit, to pass the following ordinary resolution, with or without modifications:-

“That directors’ fees of S\$110,000 payable by the Company for the year ending 31 December 2011 be approved.” (2010: S\$110,000)
- 4 To re-appoint KPMG as auditors of the Company for the year ending 31 December 2011 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,

NOTICE OF ANNUAL GENERAL MEETING

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 (the “**Catalist Rules**”) for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Bye-Laws for the time being of the Company; and
- (iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 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

NOTICE OF ANNUAL GENERAL MEETING

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 (the “**Catalist Rules**”) for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Bye-Laws for the time being of the Company; and
- (iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 6 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

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

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

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

BY ORDER OF THE BOARD

MAK TIN SANG
COMPANY SECRETARY

Singapore,
31 March 2011

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 to offer and grant options and to allot and issue Shares pursuant to the Armarda Employee Share Option Scheme provided that the aggregate number of Shares to be issued shall not exceed 15% of the total number of issued Shares (excluding treasury shares) on the day immediately preceding the relevant date of grant of the options.

Notes

- (1) The Company will be coordinating a teleconference as permitted under Bye-Law 63(A) of the Bye-Laws of the Company. Shareholders who wish to take part in the Annual General Meeting from Singapore can participate in the teleconference to be held at 112 Robinson Road, #03-02, Singapore 068902 on 23 April 2011 at 3.00 p.m. Shareholders attending the teleconference in person or by proxy shall be entitled to vote at the Annual General Meeting.
- (2) A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her/its stead. With the exception of The Central Depository (Pte) Limited which may appoint more than two proxies, any shareholder who is the holder of two or more Shares may appoint not more than two proxies. A proxy need not be a shareholder.
- (3) The instrument appointing a proxy must be deposited at the office of the Singapore share transfer agent, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time appointed for holding the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

- (4) This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the 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 Liao H.K.
Telephone number: 6221 0271

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