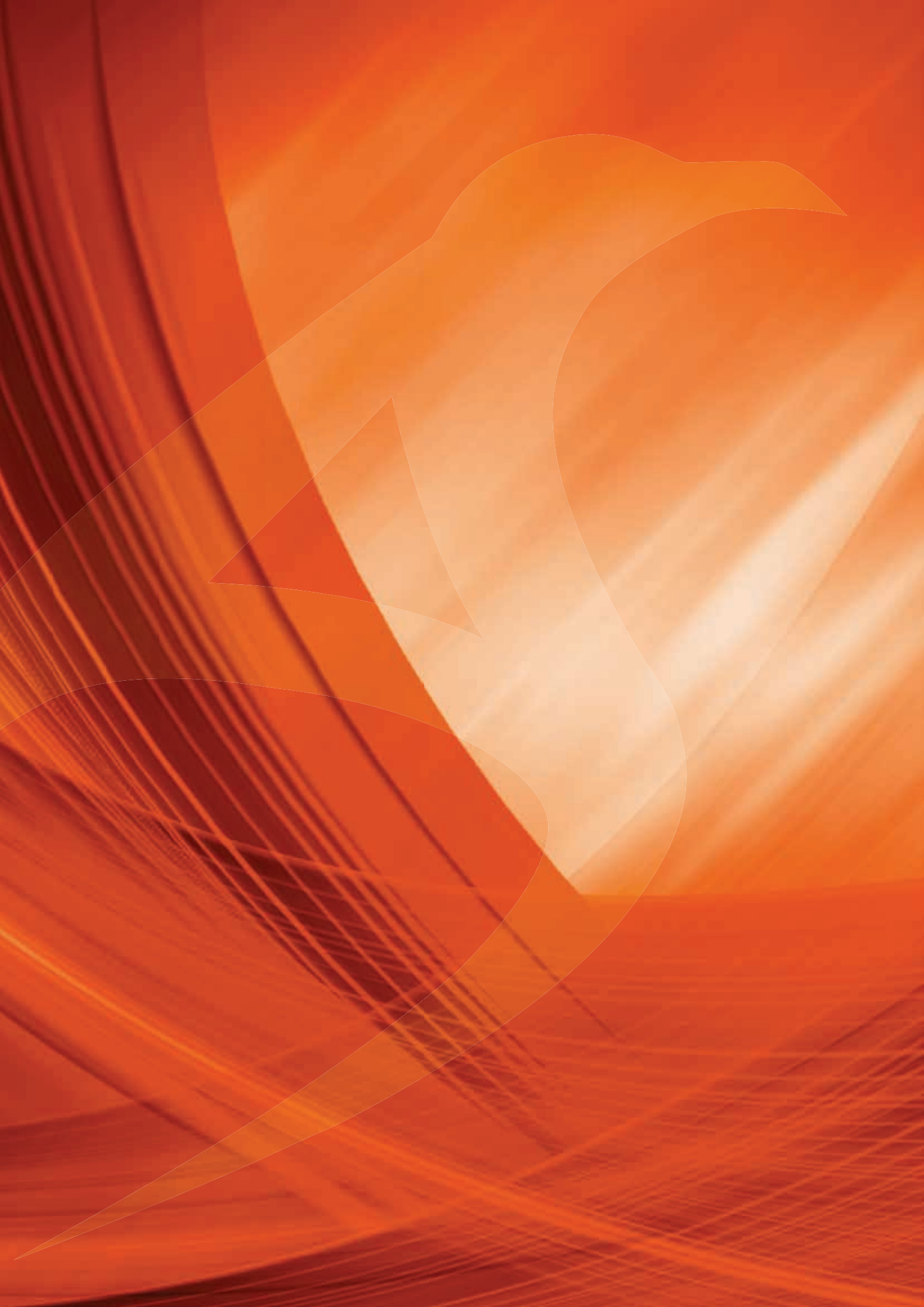
ARMARDA GROUP

2013 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 starts out as an IT and professional services provider focused on serving the People's Republic of China ("PRC") banking and financial services industry. The Group has once built a strong team of IT and banking professionals, their comprehensive understanding and first-hand experience of the PRC's banking and financial services sector and their in-depth knowledge of the advanced banking applications in developed countries enable the Group to provide an integrated suite of IT and professional services that address the needs of PRC banks as they transform and enhance their systems to prepare themselves for increasing foreign competition.

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

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

Starting from late 2000, aside from maintaining the IT and professional services as core business, the Group has begun to identify other related IT-based business initiatives and diversify its businesses through formation of joint ventures, business co-operations and acquisitions. The most significant milestone achieved by the Group in this respect in FY2013 was definitely the successful completion of the acquisition of 45% equity interest in China Satellite Mobile Communications Group Limited ("CSMCG") which, given more time to prove its successful implementation and execution of the contemplated Mobile Satellite Services in China, have good chance to be developed into one of the most promising business units of the Group in the foreseeable future.

Currently, Armarda has established its principal operations in Hong Kong, Beijing and Zhuhai.

MESSAGE FROM **CHAIRMAN**

Dear Shareholders,

On behalf of the Board of Directors, it is my honor to present you the 2013 Annual Report of the Armarda Group.

Alike the preceding years, the market condition in the PRC IT industry where we operates has not shown any apparent improvement. The increasingly tense competition from the continuous entrance of both local and international market players as well as the continuous decrease in IT related spending by our existing clients which has kept shrinking down the demand for our core business continued. For the financial year ended 31 March 2013 ("FY2013"), the financial performance of our Group has reported a decrease of revenue by approximately HK$33.7 million.

As part of the Group's strategy to diversify our businesses into other promising IT-based initiatives, the successful acquisition of the 45% equity interest in China Satellite Mobile Communications Group Limited ("CSMCG") is considered as the significant milestone which we have achieved for FY2013. CSMCG, now being an associate company of our Group, is the exclusive distributor of the Thuraya mobile satellite communication products and services in the PRC market. Subject to the achievement of certain business milestones by CSMCG, the Group has the right to exercise its call option to acquire the remaining 55% equity interest of CSMCG.

Looking ahead for FY2014, we expect that our core IT consulting business will remain unfavorable and will strive for a better financial performance by devoting more resources and efforts in developing our diversified business initiatives including but not limited to CSMCG's mobile satellite communication business. We will also continue our strategy to explore promising new business opportunities as well as looking for any M&A possibilities which could bring growth to our Group and enhance our shareholders' value in the long run.

Lastly, I would like to extend my appreciation and gratitude to our management team and all fellow staff for their great effort and devotion to our Group for FY2013. I would also like to thank our shareholders, customers, suppliers and business partners for their belief and continuing support.

Dr Chou Tao-Hsiung, Joseph
Chairman
21 June 2013

MESSAGE FROM **CEO**

May I take this opportunity to share with you the operational and financial performance of the Armarda Group for FY2013.

Our Group's revenue generated in FY2013 had decreased by approximately HK$33.7 million to approximately HK$14.4 million from approximately HK$48.2 million in FY2012. The sharp decrease in revenue for this year was mainly caused by the continuing low demand for our IT consulting business within the sluggish operating environment in the PRC. Our Group has remained in a loss making position for FY2013 but the Net Loss After Tax for the year has been reduced to approximately HK$41.4 million which marked a decrease of approximately HK$9.0 million as compared with what has been recorded in FY2012.

The specific business milestone which Armarda has accomplished for FY2013 was the successful acquisition of the 45% equity interest of China Satellite Mobile Communications Group Limited ("CSMCG"). With CSMCG being our associate company, we could now procure the opportunity to get involved in the unique and huge mobile satellite service market in the PRC to exclusively distribute the Thuraya mobile satellite communication products and services in the PRC market. Should the CSMCG's business proves to be more promising and solid, the Group will seriously consider the exercising of its call option right to acquire the remaining 55% equity interest of CSMCG so as to expand our business involvement and dedication in this mobile satellite sector.

Subsequent to the financial year ended 31 March 2013, the Company has on 30 April 2013 announced a placement and subscription of 715,700,000 new ordinary shares at an issue price of S$0.0217 each to finance the Group's existing and new investments and general corporate and working capital purposes. The net proceeds from the placement and subscription, after deducting estimated expenses (including commissions, introduction fees and professional and consultancy fees), amounted to approximately S$14.4 million (equivalent to approximately HK$90.5 million). The 715,700,000 new ordinary shares has been issued and allotted by the Company on 13 May 2013.

For FY2014, our Group's strategies will continue to trim down the focus on the highly difficult and competitive IT consulting market in the PRC while at the same time to diversify and strengthen our growth engine by concentrating our effort and resources on our new business initiatives such as the Thuraya mobile satellite communication services in the PRC. We will also strive to empower up our Group's ongoing development by actively searching for new promising business opportunities with substantial growth and profit potential for FY2014.

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

Luk Chung Po, Terence
Chief Executive Officer
21 June 2013

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 and will be due for re-election at the coming AGM.

MR LUK CHUNG PO, TERENCE
Executive Director, Deputy Chairman & Chief Executive Officer
Mr Terence Luk was appointed as our CEO in June 2005. He is responsible for the overall strategic planning and business development of our Group. From 1986 to 1995, Mr Luk held various senior positions in the Unisys Group's subsidiaries in China - Unisys China Limited and Unisys China/Hong Kong Limited. From 1995-1997, Mr Luk was appointed as the General Manager of China operations, Cisco Systems. Mr Luk cofounded and was appointed as the Vice-Chairman of Hong Kong-listed Technology Venture Holdings Limited between 1997 and 2001. Since September 2002, Mr Luk has also been appointed as the Non-executive Chairman of Singapore-listed LottVision Limited. Mr Luk holds a Bachelor's Degree in Business Administration from the Chinese University of Hong Kong. Mr Luk was last re-elected on 20 July 2012.

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

From 1984 to 1990, Mr. Gao worked for China Academy Of Launch Vehicle Technology, where he was involved in a lot of research work. In 1994, Mr Gao founded G.L. international Inc. (a computer network systems and related products supplier based in California), and acted as its Chief Executive Officer from 1994 to 2002. Mr Gao was appointed as Non-executive Chairman of Koyo International Limited (formerly known as Cyber Village Holdings Limited) from May 2004 to May 2007. He was the Non-Executive Director of Singapore-listed Lottvision Limited from February 2009 until 27 July 2012.

Mr Gao holds a Master's Degree in Software Engineering from Fudan University, PRC. Mr Gao was last re-elected on 23 April 2011 and will be due for re-election at the coming AGM.

MR MAK TIN SANG
Executive Director
Mr Mak Tin Sang was appointed as Chief Financial Officer in January 2004 and being appointed as Executive Director on 10 June 2013. He is responsible for the Group's finance, operation and business development. Mr Mak was a consultant with Armarda before he joined us as Chief Financial Officer in 2004. Prior to that, he was the Chief Financial Officer of the LottVision Limited between August 2001 and September 2003. Mr Mak also served as Group Chief Financial Officer and General Manager of UniVision Engineering Limited's operations in the PRC from October 1996 to July 2001.

Mr Mak holds a Master's Degree in Business Administration from the University of Sheffield, UK. He is also a fellow of the United Kingdom Chartered Association of Certified Accountants. He will be due for re-election as Director 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. He was a partner in BDO LLP Singapore (a public accounting firm) until February 2013 and is now advisor to the firm. Mr Lee has more than 30 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. He is also a fellow of the Hong Kong Institute of Directors. Mr Lee holds directorships in various Singapore and overseas listed companies including Food Junction Holdings Limited, Hyflux Limited, IPC Corporation Limited and Kian Ho Bearings Limited. Mr Lee was last re-elected as Director on 20 July 2012.

MR PHUAH LIAN HENG
Independent Director
Mr Phuah Lian Heng was appointed as an Independent Director of our Company in March 2004 and also an Independent Director of AA Group Holdings Limited since 4 July 2005. He is currently the Director of VCOD(S'pore) Pte Ltd. Mr Phuah was an procurement engineer and contracts engineer with Hewlett Packard between 1992 to 1993 and Esso between 1993 to 1994 respectively before moving on to the Mentor Media group of companies in 1995 where he held senior positions such as business development manager, operations director and corporate development director. Mr Phuah holds a Bachelor's Degree (First Class Honours) in Electrical Engineering from the National University of Singapore. Mr Phuah was last re-elected as Director on 23 April 2011.

BUILDING OUR **MOMENTUMS**

KEY **MANAGEMENT**

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

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

From 1984 to 1990, Mr. Gao worked for China Academy Of Launch Vehicle Technology, where he was involved in a lot of research work. In 1994, Mr Gao founded G.L. international Inc. (a computer network systems and related products supplier based in California), and acted as its Chief Executive Officer from 1994 to 2002. Mr Gao was appointed as Non-executive Chairman of Koyo International Limited (formerly known as Cyber Village Holdings Limited) from May 2004 to May 2007. He was the Non-Executive Director of Singapore-listed Lottvision Limited from February 2009 until 27 July 2012.

Mr Gao holds a Master's Degree in Software Engineering from Fudan University, PRC.

MR MAK TIN SANG
Executive Director
Mr Mak Tin Sang was appointed as Chief Financial Officer in January 2004 and being appointed as Executive Director on 10 June 2013. He is responsible for the Group's finance, operations, business development and formulating strategic direction. 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
Chief Financial Officer and Company Secretary
Ms Karen Chu was appointed as Financial Controller in July 2009 and being appointed as Chief Financial Officer and Company Secretary on 10 June 2013. Ms Chu is responsible for overseeing finance, accounting, operation and corporate secretarial functions of the Group companies. Prior to joining the Company, she was the accounting manager of LottVision Limited. She has 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.

CORPORATE **INFORMATION**

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

KEY MANAGEMENT
Luk Chung Po, Terence (Executive Director,
Deputy Chairman and Chief Executive Officer)
Gao Xiangjun, Richard (Executive Director)
Mak Tin Sang (Executive Director)
Chu Yin Ling, Karen (Chief Financial Officer)

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

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

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

COMPANY SECRETARY
Chu Yin Ling, Karen

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

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

SINGAPORE SHARE TRANSFER AGENT
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

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

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

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

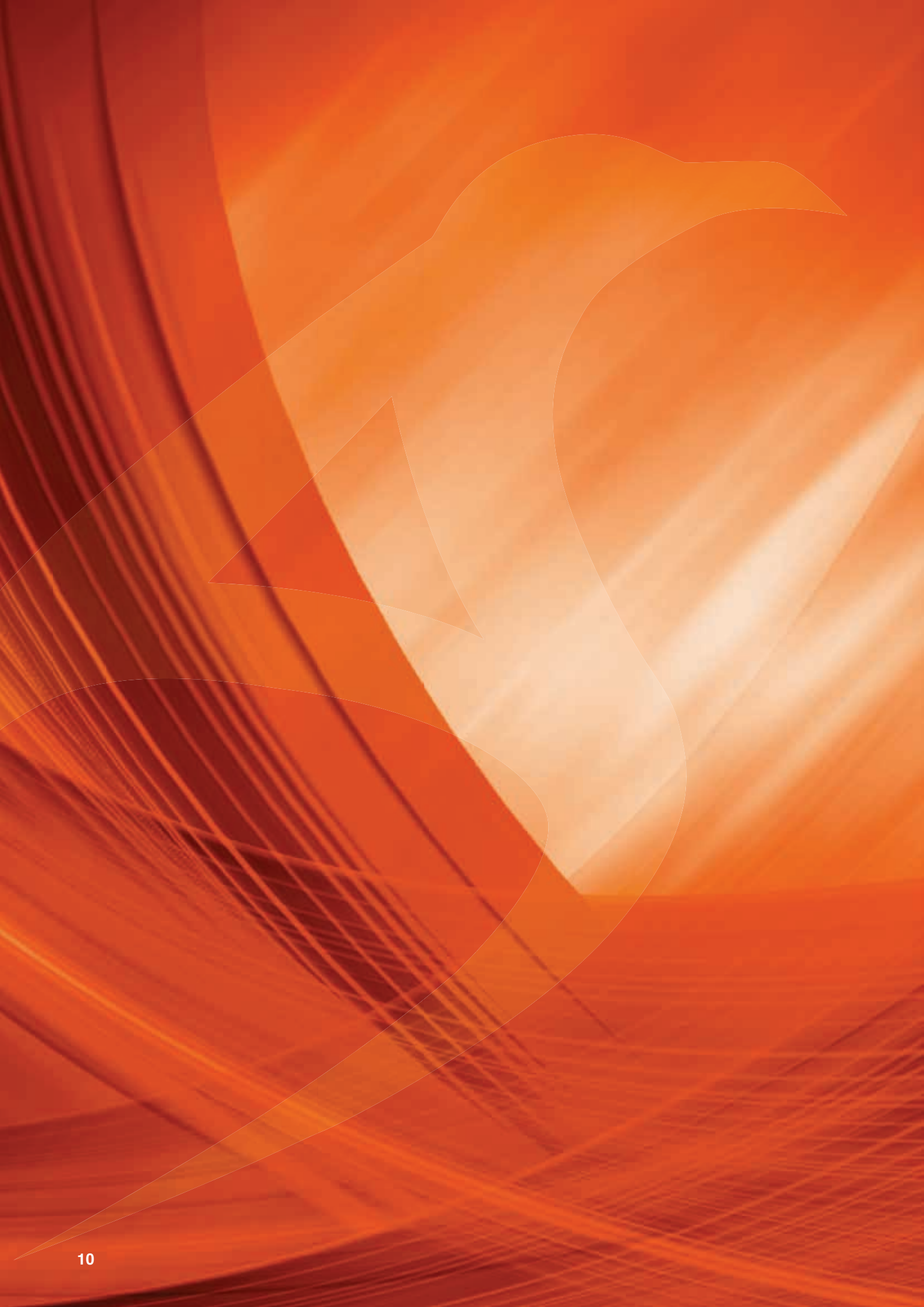
CONTINUING SPONSOR
Asian Corporate Advisors Pte. Ltd.
112 Robinson Road
#03-02,
Singapore 068902

PROPERTY **INFORMATION**

MAJOR PROPERTIES HELD FOR OWNED OPERATIONS:

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

Subsequent to the announcement which was released on 25 March 2013 in relation to the disposal of the aforesaid properties, the transfer of legal titles of the Floor 18 and Floor 19 are completed on 3 April 2013 and 8 May 2013 respectively.



CORPORATE GOVERNANCE REPORT

Armarda Group Limited (the "Company") is committed to maintaining a high standard of corporate governance to ensure greater transparency within the Group. The Company continues to evaluate and put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value. This report outlines specific reference made to each of the principles with the principles of the Code where appropriate for the financial year ended 31 March 2013. The Company will be reviewing and adopting where necessary the recommendations given under the revised Code of Corporate Governance 2012 ("CG2012") which is effective in respect of the Group's Annual Report for the financial year ending 31 March 2014.

Principle 1: Board's Conduct of its Affairs

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

Dr Chou Tao-Hsiung, Joseph	Non-Executive Chairman
Mr Luk Chung Po, Terence	Executive Director, Deputy Chairman and Chief Executive Officer
Mr Gao Xiangjun, Richard	Executive Director
Mr Mak Tin Sang (with effect on 10 June 2013)	Executive Director
Mr Lee Joo Hai	Independent Director
Mr Phuah Lian Heng	Independent Director

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 in the interest of the Company objectively. The Board is also responsible for implementing policies in relation to financial matters, which include risk management and internal control and compliance. In addition, the Board reviews the financial performance of the Group, approves investment proposals, set company values & standard and approves nomination of Directors to the Board and the appointment of key management personnel.

These functions are carried out either directly or through designated Board Committees including the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"), each of which operate within clearly defined and written terms of reference and functional procedures.

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

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

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

There is a process for formal letters of appointment for each new director, setting out duties and obligations upon appointment for each new director. The Company will provide training for first-time directors in the areas of accounting, legal and industry-specific knowledge where necessary.

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	-	-	-
Mr Mak Tin Sang (with effect on 10 June 2013)	Executive Director	-	-	-

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 6 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 and capabilities required 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 and the Board have reviewed and determined that Mr Lee Joo Hai and Mr Phuah Lian Heng are independent. The independence of each Director is reviewed annually by NC and/or the Board where applicable. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board has assessed the independence of the two Independent Directors, Lee Joo Hai and Phuah Lian Heng after considering the recommendations set out in the Code 2012. Notwithstanding that both Lee Joo Hai and Phua Lian Heng have served the Board since March 2004, the Board is fully satisfied that they demonstrate complete independence, robustness of character and judgment both in their designated role and members of the Board. In addition, the Board confirms that both Lee Joo Hai and Phuah Lian Heng have not been involved in any executive functions as well as day-to-day operations of the Group and that notwithstanding the 9 years' time frame they have continued to be and are deemed independent.

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

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

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

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND BOARD COMMITTEES HELD FROM 1 APRIL 2012 TO 31 MARCH 2013								
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	4	4	4	4	2	2	1	1
Mr Luk Chung Po, Terence	4	4	-	-	-	-	-	-
Mr Lee Joo Hai	4	4	4	4	2	2	1	1
Mr Phuah Lian Heng	4	4	4	4	2	2	1	1
Mr Gao Xiangjun, Richard	4	4	-	-	-	-	-	-

No. of board meetings held from 1 April 2012 to 31 March 2013: 4
No. of audit committee meetings held from 1 April 2012 to 31 March 2013: 4
No. of nominating committee meetings held from 1 April 2012 to 31 March 2013: 2
No. of remuneration committee meetings held from 1 April 2012 to 31 March 2013: 1

Mr Mak Tin Sang has been appointed as Executive Director with effect on 10 June 2013.

Principle 3: Role of Chairman and Chief Executive Officer

The Board recognizes the Code's recommendation that the Chairman and the Chief Executive Officer ("CEO") should be separate persons to perform separate functions in order to ensure that there is an appropriate balance of power and authority, and that accountability and independent decision-making are not compromised.

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

Principle 4: Board Membership
Principle 5: Board Performance

Nominating Committee ("NC")

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

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

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

Although certain Directors hold directorships in other companies which are not part of the Group, the NC is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors of the Company. These Directors would widen the experience of the Board and give it a broader perspective.

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

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

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

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

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

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 Dr Chou Tao-Hsiung, Joseph, Mr Gao Xiangjun, Richard and Mr Mak Tin Sang be nominated for re-election at the forthcoming AGM. In making its recommendations, the NC has 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 ("RC")

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

The Board has approved the written 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 (which have already been expired in November 2012) 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 have been expired in November 2012), which are performance related. Such fees will be pro-rated for the twelve months ended 31 March 2013. The remuneration of the Non-Executive Directors will be subject to approval at the AGM. Save for Mr Luk Siu Fung, Mark (being appointed as Project Manager with Armarda Group Limited as at 10 June 2013) who is the son of Mr Luk Chung Po, Terence, the Group does not have any employees who are relatives of a Director or substantial shareholder or the Chief Executive Officer.

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

The remuneration paid to the Directors and senior Executive Officers for services rendered during the twelve months ended 31 March 2013 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 (who has been appointed as Executive Director on 10 June 2013)	100	-	-	-	100
Mr Wen Feng (who has ceased employment with effect on 1 April 2013)	100	-	-	-	100
Chu Yin Ling, Karen	100	-	-	-	100

Notes:

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

There are altogether 3 Executive Officers receiving remuneration during the 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 March 2013.

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

Principle 11: Audit Committee

Audit Committee ("AC")

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

The Chairman of the AC, Mr Lee Joo Hai, has more than 30 years of experience in accounting and auditing. The other members of the AC have a significant number of years of experience in business and financial management. For more details of the qualifications of the members of the AC, please refer to page 6 of the Annual Report.

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

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

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

During the financial year, the AC has met 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 and internal auditors without the presence of management, and reviews the effectiveness of the internal controls established by management, at least once a year. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the volume of non-audit services provided to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The fees of audit and non-audit services that were rendered by the external auditor to the Group are amounting to approximately HK$1.6 million and approximately HK$16 thousand respectively. 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.

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

Principle 12: Internal Controls

The Company's internal controls and systems are designed to provide reasonable, but not absolute assurance to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the significant assets.

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

Based on the discussion with the auditors and the management for the internal controls established and maintained by the Group, and the work performed by both the internal and external auditors, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, are adequate as at 31 March 2013.

Principle 13: Internal Audit

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

The internal audit function of the Company has been outsourced to an independent risk assurance firm which reports directly to the AC on internal audit matters, and to the CFO on administrative matters. The internal auditor is guided by the Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors.

The AC has reviewed the internal audit plan and report for FY2013 and satisfied that the internal audit is adequately resourced and has the appropriate standing with the Group.

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

The Company believes that effective communication can highlight transparency and enhance accountability to its shareholders. The Company regularly conveys pertinent information, gather views or inputs, and address shareholders' concerns.

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

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

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

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

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

Whistle blowing policy

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

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

Material Contracts

Save for the service agreement between the Executive Directors and the Company, there are no material contracts entered into by the Group or its subsidiaries and in which the Chief Executive Officer or any Director or controlling shareholders were interested subsisting at the end of the financial year ended 31 March 2013.

Risk Management

The Group does not have a Risk Management Committee. However, the management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are found on page 86 to 96 of the Annual Report.

Armarda Employee Share Option Scheme ("ESOS")

The ESOS is administered by the Remuneration Committee comprising Mr Phuah Lian Heng, Mr Lee Joo Hai and Dr Chou Tao-Hsiung, Joseph. There were no share options granted during the financial year ended 31 March 2013 and all share options have expired for the financial year then ended. A summary of the ESOS is set out on pages 23 to 25 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 March 2013 as specified in Chapter 9 of the Catalist Rules.

Use of Placement Proceeds

The net proceeds received by the Company of approximately S$5.3 million from the issue of 263,500,000 shares pursuant to a placement exercise made on 22 January 2013 have been fully utilized and the net proceeds received by the Company of approximately S$14.4 million from the issue of 715,700,000 shares pursuant to a placement exercise made on 30 April 2013 have been partially utilized. The detail of the use of proceeds was disclosed in the announcement made on 22 January 2013, 29 April 2013 and 30 April 2013. The following is the summary of the use of proceeds:

	715.7 million Placement Shares S$'000	263.5 million Placement Shares S$'000
Balance proceeds since disclosed in the announcement dated 29 April 2013	-	1,587
Net proceeds disclosed in the announcement dated 30 April 2013	14,400	-
Less :		
• Finance or fund acquisitions, purchases or investments	2,650	1.060
• Working capital purposes	2,700	527
Balance proceeds	9,050	NIL

The above use of proceeds is in accordance with the intended use as stated in the respective announcements.

Non-sponsor Fees

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

Subsequent to the financial year ended 31 March 2012, the Sponsor has been allotted and issued 35,000,000 fully paid ordinary shares ("Professional Fee Shares") in the Company as in kind payment of incentive fees for professional work rendered for the financial period ended 31 March 2012. The Professional Fee Shares has been expensed and recorded in the financial statements of the Company for the financial period ended 31 March 2012. As at the date of this annual report, Asian Corporate Advisors Pte. Ltd. has an interest in 35,000,000 ordinary shares of the Company.

Save as disclosed, no non-sponsor fees were paid to the Sponsor for the year ended 31 March 2013.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

The directors present their report to the members together with the audited financial statements of Armarda Group Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 March 2013 and the balance sheet of the Company as at 31 March 2013.

Directors

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

Dr Chou Tao-Hsiung, Joseph	(Non-Executive Chairman)
Mr Luk Chung Po, Terence	(Executive Director, Deputy Chairman & Chief Executive Officer)
Mr Gao Xiangjun, Richard	(Executive Director)
Mr Mak Tin Sang	(Executive Director, appointed on 10 June 2013)
Mr Lee Joo Hai	(Independent Director)
Mr Phuah Lian Heng	(Independent Director)

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

Except as disclosed under "Share options" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Certain directors received remuneration from related corporations in their capacity as directors of those related corporations.

Directors' interests in shares or debentures

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

	Direct interests		Deemed interests	
	At 31 March 2013	At 1 April 2012	At 31 March 2013	At 1 April 2012
Company				
Ordinary shares of HK$0.05 each fully paid				
Dr Chou Tao-Hsiung, Joseph	887,626	887,626	-	-
Mr Luk Chung Po, Terence	8,876,255	8,876,255	44,381,277	44,381,277
Mr Gao Xiangjun, Richard	1,506,000	1,506,000	-	-

Mr Mak Tin Sang, who is appointed as director on 10 June 2013, holds 39,502 ordinary shares of the Company on 1 April 2012 and 31 March 2013.

The directors' interests in the ordinary shares of the Company as at 21 April 2013 were the same as those as at 31 March 2013.

Directors' interests in shares or debentures (Continued)

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

	No. of unissued ordinary shares under option	
	At 31 March 2013	At 1 April 2012
2007 Options		
Dr Chou Tao-Hsiung, Joseph	-	2,000,000
Mr Luk Chung Po, Terence	-	6,000,000
Mr Lee Joo Hai	-	800,000
Mr Phuah Lian Heng	-	700,000

Mr Mak Tin Sang, who is appointed as director on 10 June 2013, holds 4,000,000 unissued ordinary shares under option as at 1 April 2012. He does not hold any unissued ordinary shares under option as at 31 March 2013.

Directors' contractual benefits

Since the end of the previous financial period, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Share options

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

Under the rules of the Scheme, executive and non-executive directors and employees of the Group, who are not controlling shareholders of the Company or their associates, are eligible to participate in the Scheme. The number of options to be offered to a participant of the Scheme shall be determined at the absolute discretion of the Remuneration Committee, who shall take into account criteria such as rank, past performance, years of service and potential contributions to the Group for future development of that participant. The exercise price of the options may be the market price at the date of grant of the options or a price set at a discount to the market price at the date of grant of the options provided that maximum discount shall not exceed 20% of the market price. The vesting of the options granted is one to two years. Once the options are vested, they are exercisable for a period of 5 years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options (Continued)

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

The Scheme became operative upon the Company granting options to subscribe for 25,000,000 ordinary shares of the Company on 2 November 2007 ("2007 Options") at market price or a price which is set at a discount to the market price. The 2007 Options are exercisable from 2 November 2008 or 2 November 2009 and expire on 2 November 2012. As at 31 March 2013, all 2007 Options have expired during the year.

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

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

Details of the options granted are as follows:

	No. of unissued ordinary shares under option				
	Options granted during the financial year	Aggregate options granted since commencement of scheme to 31 March 2013	Aggregate options expired / lapsed since commencement of scheme to 31 March 2013	Aggregate options exercised since commencement of scheme to 31 March 2013	Aggregate options outstanding as at 31 March 2013
Directors of the Company					
Dr Chou Tao-Hsiung, Joseph	-	2,000,000	(2,000,000)	-	-
Mr Luk Chung Po, Terence	-	6,000,000	(6,000,000)	-	-
Mr Lee Joo Hai	-	800,000	(800,000)	-	-
Mr Phuah Lian Heng	-	700,000	(700,000)	-	-
Mr Mak Tin Sang	-	4,000,000	(4,000,000)	-	-
Participants (receive 5% or more of the total number of options available under the scheme)					
Wang Hui	-	2,000,000	(2,000,000)	-	-
Wen Feng	-	2,000,000	(2,000,000)	-	-
Zhang Yu Lin	-	2,000,000	(2,000,000)	-	-
Participants (receive less than 5% of the total number of options available under the scheme)					
Other employees	-	5,500,000	(5,500,000)	-	-
Total options granted to directors and employees of the Group		**25,000,000**	**(25,000,000)**	**-**	**-**

Share options (Continued)

Employee Share Option Scheme

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

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

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

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

The above options were not exercised and have expired on 2 November 2012. Accordingly, no share options are outstanding on 31 March 2013 and 21 April 2013.

Warrants

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

Internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board of Directors, the Audit Committee and the Board of Directors are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 March 2013.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board of Directors also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit committee

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

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

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;

Audit committee (Continued)

- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2013 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

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

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

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

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

Independent auditors

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

On behalf of the Board of Directors

LUK CHUNG PO, TERENCE
Director and Chief Executive Officer

MAK TIN SANG
Director

21 June 2013

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 30 to 97 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

LUK CHUNG PO, TERENCE
Director and Chief Executive Officer

MAK TIN SANG
Director

21 June 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARMARDA GROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Armarda Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 97, which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 March 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARMARDA GROUP LIMITED

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which states that the Group registered a net loss of $41,352,000 (2012: $50,303,000) and negative operating cash flows of $15,583,000 (2012: $23,283,000) for the financial year ended 31 March 2013.

During the financial year, the Group scaled down its core business and started its business restructuring exercise to invest in other businesses including, *interalia*, a mobile satellite communication business in China via the completion of its acquisition of 45% equity interest in China Satellite Mobile Communications Group Limited and its subsidiaries (collectively "China Satellite Group"). China Satellite Group commenced operations in April 2013 and recorded post-acquisition losses for the financial period from 28 November 2012 to 31 March 2013.

The ability of the Group to achieve profitability and generate positive operating cash flows in the foreseeable future is largely dependent on the ability of China Satellite Group in achieving profitable operating results.

Our opinion is not qualified in respect of this matter.

Crowe Horwath First Trust LLP
Public Accountants and
Certified Public Accountants

21 June 2013

BALANCE SHEETS

AS AT 31 MARCH 2013
(Amounts in Hong Kong dollars)

	Note	Group		Company	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	575	4,250	-	-
Intangible assets	5	3,534	4,278	-	-
Investment property	6	-	5,765	-	-
Subsidiaries	7	-	-	-	-
Associates	8	185,748	27,496	156,834	-
Due from subsidiaries (non-trade)	9	-	-	92,732	60,486
Other investment	10	-	2,837	-	-
Other assets	11	17,513	973	-	-
		207,370	45,599	249,566	60,486
Current assets					
Trade and other receivables	12	17,588	66,820	198	211
Due from an associate (non-trade)	13	1,704	-	-	-
Cash and bank balances		30,008	13,089	4	4
		49,300	79,909	202	215
Non-current assets held for sale	14	8,474	-	-	-
		57,774	79,909	202	215
TOTAL ASSETS		265,144	125,508	249,768	60,701
LIABILITIES					
Current liabilities					
Trade and other payables	15	27,329	17,401	8,054	3,008
Due to a subsidiary (non-trade)	13	-	-	30,441	-
Borrowing	16	-	5,519	-	-
Lease obligations	17	251	436	-	-
Income tax payable		2,843	469	-	-
		30,423	23,825	38,495	3,008
Non-current liabilities					
Deferred tax liabilities	18	2,037	1,291	-	-
TOTAL LIABILITIES		32,460	25,116	38,495	3,008
NET ASSETS		232,684	100,392	211,273	57,693

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

BALANCE SHEETS

AS AT 31 MARCH 2013
(Amounts in Hong Kong dollars)

	Note	Group		Company	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	126,191	56,432	126,191	56,432
Share premium	20	271,548	159,991	271,548	159,991
Contributed surplus	21	43,348	43,348	43,348	43,348
Translation reserve	22	31,975	31,806	-	-
Statutory reserve	23	5,863	5,863	-	-
Revaluation reserve	24	1,561	1,561	-	-
Share-based capital reserve	25	-	20,174	-	20,174
Other deficit	26	(49,466)	(49,466)	-	-
Accumulated losses	27	(198,336)	(169,317)	(229,814)	(222,252)
TOTAL EQUITY		232,684	100,392	211,273	57,693

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013
(Amounts in Hong Kong dollars)

	Note	1 April 2012 to 31 March 2013 $'000	1 January 2011 to 31 March 2012 $'000
Revenue	28	14,438	48,184
Other income	29	560	1,166
Personnel expenses	30	(8,116)	(9,128)
Depreciation of property, plant and equipment	4	(665)	(686)
Amortisation of intangible assets	5	(744)	(6,563)
Impairment of:			
- other investment	10	(2,831)	(4,110)
- other receivables	39(iii)	-	(3,487)
Cost of goods sold		(9,875)	(21,477)
Subcontracting fees		(2,073)	(19,404)
Other expenses	31	(29,539)	(38,405)
Finance costs – interest expense		(639)	(165)
Share of profit of associates	8	1,211	1,250
Loss before tax	32	(38,273)	(52,825)
Income tax	33(a)	(3,079)	2,522
Loss for the year / period		(41,352)	(50,303)
Other comprehensive income:			
Currency translation difference arising from consolidation		(38)	2,830
Share of translation reserve of associate	8	207	993
Revaluation gain on property, plant and equipment	33(b)	-	1,463
Total comprehensive loss for the year / period		(41,183)	(45,017)
Loss attributable to:			
Equity holders of the Company		(41,352)	(49,388)
Non-controlling interest		-	(915)
		(41,352)	(50,303)
Total comprehensive loss attributable to:			
Equity holders of the Company		(41,183)	(44,102)
Non-controlling interest		-	(915)
		(41,183)	(45,017)
Loss per share (cents)			
Basic	34(a)	(2.54)	(4.49)
Diluted	34(b)	(2.52)	(4.41)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

(Amounts in Hong Kong dollars)

2013
Group

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013
(Amounts in Hong Kong dollars)

2012
Group

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013
(Amounts in Hong Kong dollars)

	Note	1 April 2012 to 31 March 2013 $'000	1 January 2011 to 31 March 2012 $'000
Cash flows from operating activities			
Loss before tax		(38,273)	(52,825)
Adjustments:			
Depreciation of property, plant and equipment	4	665	686
Amortisation of intangible assets	5	744	6,563
Fair value adjustment of investment property	6	267	(242)
Share of profit of associates	8	(1,211)	(1,250)
Loss / (Gain) on disposal of property, plant and equipment		85	- *
Impairment of other investment	10	2,831	4,110
Interest expense		639	165
Interest income	29	(15)	(17)
Share based payment expense	31	1,120	7,841
Operating loss before working capital changes		(33,148)	(34,969)
Trade and other receivables		10,266	5,852
Trade and other payables		9,627	5,982
Due from an associate (non-trade)		(1,704)	-
Cash used in operations		(14,959)	(23,135)
Interest paid		(639)	(165)
Interest income received		15	17
Net cash used in operating activities		(15,583)	(23,283)
Cash flows from investing activities			
Prepayment for software development fee	11	(7,965)	-
Proceeds from disposal of property, plant and equipment		33	5
Proceeds from disposal of other investment		-	35
Purchase of property, plant and equipment		(22)	(231)
Acquisition of non-controlling interest (Note A)		-	(5,000)
Acquisition of an associate	8	(15,558)	-
Net cash used in investing activities		(23,512)	(5,191)

* Amounts less than $1,000

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013
(Amounts in Hong Kong dollars)

	Note	1 April 2012 to 31 March 2013 $'000	1 January 2011 to 31 March 2012 $'000
Cash flows from financing activities			
Proceeds from issuance of new shares	19	67,242	24,535
Share issue expenses	19	(5,736)	(1,318)
Repayment of bank term loans		(5,506)	-
Proceeds of bank term loans		-	5,434
Repayment of lease obligations		(185)	(254)
Net cash from financing activities		55,815	28,397
Net increase / (decrease) in cash and bank balances		16,720	(77)
Cash and bank balances at beginning of year / period		13,089	12,676
Effects of exchange rate changes in cash and bank balances		199	490
Cash and bank balances at end of year / period		30,008	13,089

Note A

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

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

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

1. GENERAL INFORMATION

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

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

The financial statements for the year ended 31 March 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 21 June 2013.

2. BASIS OF PREPARATION

The Group registered a net loss of $41,352,000 (2012: $50,303,000) and negative operating cash flows of $15,583,000 (2012: $23,283,000) for the financial year ended 31 March 2013.

During the financial year, the Group scaled down its core business and started its business restructuring exercise to invest in other businesses including, *interalia*, a mobile satellite communication business in China via the completion of its acquisition of 45% equity interest in China Satellite Mobile Communications Group Limited and its subsidiaries (collectively "China Satellite Group"). China Satellite Group commenced operations in April 2013 and recorded post-acquisition losses for the financial period from 28 November 2012 to 31 March 2013.

The ability of the Group to achieve profitability and generate positive operating cash flows in the foreseeable future is largely dependent on the ability of China Satellite Group in achieving profitable operating results.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

On 1 April 2012, the Group adopted the new or amended IFRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and INT FRS. The adoption of these new or amended IFRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised IAS 19 Employee Benefits	1 January 2013
IFRS 113 Fair Value Measurement	1 January 2013
Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to IFRS	
Amendment to IAS 1 – *Presentation of Financial Statements*	1 January 2013
Amendment to IAS 16 – *Property, Plant and Equipment*	1 January 2013
Amendment to IAS 32 – *Financial Instruments: Presentation*	1 January 2013
Revised IAS 27 *Separate Financial Statements*	1 January 2013
Revised IAS 28 *Investments in Associates and Joint Ventures*	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities; Transition Guidance*	1 January 2013
Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
IFRIC 21 Levies	1 January 2014
Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
IFRS 9 Financial Instruments: *Classification and Measurement*	1 January 2015
Amendments to IFRS 9 and IFRS *7 Mandatory Effective Date of IFRS 9 and Transition Disclosures*	1 January 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Except for the Amendments to IAS 1, IFRS 12 and Amendments to IFRS 10, IFRS 11 and IFRS 12 the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of Amendments to IAS 1, Amendments to IFRS 7, Amendments to IAS 32 and IFRS 12 is described below.

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

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

IFRS 10 *Consolidated Financial Statements* and Revised IAS 27 *Separate Financial Statements*
Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities; Transition Guidance*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated with the Group, compared with the requirements that were in IAS 27. Therefore, IFRS 10 may change which entities are consolidated within a group. The revised IAS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

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

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in financial year ended 31 March 2014.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

From 1 January 2010

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

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

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

Prior to 1 January 2010

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

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

(b) Acquisition of businesses

From 1 January 2010

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

From 1 January 2010 (Continued)

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

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

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

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

Prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

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

(c) Disposals of subsidiaries or businesses

From 1 January 2010

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(c) Disposals of subsidiaries or businesses (Continued)

From 1 January 2010 (Continued)

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

Prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

(ii) Transactions with non-controlling interest

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

(iii) Associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(iii) Associates (Continued)

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

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

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

Subsidiaries and associates

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

Currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(iii) Translation of the Group's financial statements

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

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

Property, plant and equipment

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Intangible assets

(i) Goodwill

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(ii) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development. Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use.

(iii) Other intangible assets

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

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

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

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

The estimated useful lives are as follows:

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

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

Other assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

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

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

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

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

Impairment of non-financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Financial assets

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

(a) Loans and receivables

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

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

(b) Available-for-sale financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Derecognition

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

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

Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(ii) Financial assets carried at cost

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

(iii) Available-for-sale financial assets

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

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

Non-current assets held for sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(iii) Derecognition

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

Leases

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

(i) As lessor

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

(ii) As lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) As lessee (Continued)

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

Provisions

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

Borrowings

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

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

Borrowing costs

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

Share capital and share premium

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

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

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

Employees' benefits

(i) Retirement benefits

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

Hong Kong

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

People's Republic of China ("PRC")

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(ii) Employee leave entitlement

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

(iii) Share-based compensation

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

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

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

Income tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

Related parties

A related party is defined as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

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

Critical accounting estimates and assumptions

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

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

(a) *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 to 10 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying amount of the non-financial assets and further details of the key assumptions applied in the impairment assessment of associates are disclosed in Note 8 to the financial statements respectively.

(b) *Impairment of loans and receivables*

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

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of the Group's loan and receivables at the balance sheet date and the relevant basis of management's estimates are disclosed in Notes 12 and 39(iii) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and assumptions (Continued)

(c) Income tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has not recognised any additional tax liability on these uncertain tax positions. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred tax liabilities as at 31 March 2013 are disclosed in Note 18.

The Group has unrecognised tax losses carried forward amounting $49,639,000 (2012: $56,768,000). Tax losses relating to a subsidiary in Hong Kong, with a history of losses that do not expire, may not be used to offset taxable income elsewhere in the Group. The subsidiary has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, profit for the year would increase by $8,190,000 (2012: $9,367,000) (Note 18).

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties	Leasehold improvements	Motor vehicles	Furniture, fixtures, computer and other equipments	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
As at 1 January 2011	9,862	2,856	1,604	13,900	28,222
Additions	-	-	-	231	231
Disposals	-	-	-	(19)	(19)
Transfer to investment property (Note 6)	(4,937)	-	-	-	(4,937)
Currency translation differences	353	112	27	424	916
As at 31 March 2012	5,278	2,968	1,631	14,536	24,413
As at 1 April 2012	5,278	2,968	1,631	14,536	24,413
Additions	-	-	-	22	22
Disposals	-	-	(352)	(800)	(1,152)
Classified as non-current assets held for sale (Note 14)	(5,318)	(2,692)	-	-	(8,010)
Currency translation differences	40	20	1	71	132
As at 31 March 2013	-	296	1,280	13,829	15,405
Accumulated depreciation and impairment loss					
As at 1 January 2011	3,202	2,849	731	13,642	20,424
Charge for the period	301	7	270	108	686
Disposal	-	-	-	(14)	(14)
Transfer to investment property (Note 6)	(1,603)	-	-	-	(1,603)
Currency translation differences	119	112	24	415	670
As at 31 March 2012	2,019	2,968	1,025	14,151	20,163
As at 1 April 2012	2,019	2,968	1,025	14,151	20,163
Charge for the year	344	-	229	92	665
Disposal	-	-	(317)	(717)	(1,034)
Classified as non-current assets held for sale (Note 14)	(2,382)	(2,692)	-	-	(5,074)
Currency translation differences	19	20	1	70	110
As at 31 March 2013	-	296	938	13,596	14,830
Net carrying amount					
As at 31 March 2013	-	-	342	233	575
As at 31 March 2012	3,259	-	606	385	4,250
As at 1 January 2011	6,660	7	873	258	7,798

Assets held under finance leases

The carrying amount of motor vehicles held under finance lease at the balance sheet date was $342,000 (2012: $539,000).

5. INTANGIBLE ASSETS

Group	Customer relationship	Exclusive distributorship rights	Total
	$'000	$'000	$'000
Cost			
As at 1 January 2011, 31 March 2012 and 31 March 2013	40,859	98,293	139,152
Accumulated amortisation and impairment losses			
As at 1 January 2011	(35,651)	(92,660)	(128,311)
Charge for the period	(930)	(5,633)	(6,563)
As at 31 March 2012	(36,581)	(98,293)	(134,874)
As at 1 April 2012	(36,581)	(98,293)	(134,874)
Charge for the year	(744)	-	(744)
As at 31 March 2013	(37,325)	(98,293)	(135,618)
Net carrying amount			
As at 31 March 2013	3,534	-	3,534
As at 31 March 2012	4,278	-	4,278
As at 1 January 2011	5,208	5,633	10,841

(a) Customer relationship

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

(b) Exclusive distributorship rights

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

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

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

6. INVESTMENT PROPERTY

	Group	
	2013	2012
	$'000	$'000
Balance sheet:		
At beginning of year / period	5,765	-
Transfer from property, plant and equipment at net carrying amount (Note 4)	-	3,334
(Loss) / Gain from fair value adjustments recognised in:		
- Profit or loss	(267)	242
- Revaluation reserve on initial transfer from property, plant and equipment (Note 24)	-	2,101
Classified as non-current assets held for sale (Note 14)	(5,538)	-
Currency translation differences	40	88
At end of year / period	-	5,765
Consolidated statement of comprehensive income		
Rental income from investment property (Note 29)	172	308
Direct operating expenses (including repairs and maintenance) arising from:		
- Non-rental generating property	30	217

7. SUBSIDIARIES

	Company	
	2013	2012
	$'000	$'000
Unquoted equity shares, at cost	67,633	67,633
Impairment loss (Note A)	(67,633)	(67,633)
	-	-

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%)	
			2013	2012
Held by the Company				
Armarda Holdings Limited (i)	Investment holding	BVI, Hong Kong	100	100
Held by Armarda Holdings Limited				
Armarda Technology Services Limited (i)	Provision of IT consulting and IT support services	BVI, Hong Kong	100	100
Armarda International Inc (i)	Investment holding	BVI, Hong Kong	100	100
Armarda eAccess Technology Limited (i)	Investment holding	BVI, Hong Kong	100	100
Armarda Technology Singapore Pte Ltd (ii)	Liaison office	Singapore	100	100
Brilliant Time Limited ("BTL") (i)	Provision of IT consulting and IT support services	BVI, Hong Kong	100	100
China RFID Limited ("CRL") (i)	Trading of RFID chips	BVI, Hong Kong	100	100

7. SUBSIDIARIES (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%)	
			2013	2012
Held by Armarda Technology Services Limited				
Armarda Technology (Hong Kong) Limited ("ATHK") [iv]	Provision of IT consulting and IT support services	Hong Kong	100	100
Held by ATHK				
Armarda Technology (Zhuhai) Limited ("ATZH") [iii]	Provision of IT consulting and IT support services	PRC	100	100

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

[ii] Audited by Crowe Horwath First Trust LLP.

[iii] Audited by Zhuhai Huaqi Certified Public Accountants and reviewed by Crowe Horwath First Trust LLP for purpose of expressing an opinion on the consolidated financial statements.

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

Note A - Impairment testing of investments in subsidiaries

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

8. ASSOCIATES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of year / period	27,496	25,253	-	-
Acquisition of an associate (Note A)	156,834	-	156,834	-
Share of profit	1,211	1,250	-	-
Share of translation reserve	207	993	-	-
At end of year / period	185,748	27,496	156,834	-
Representing:				
Goodwill	2,923	2,923		
Share of net assets	182,825	24,573		
	185,748	27,496		

8. ASSOCIATES (Continued)

Details of the Group's associates as at 31 March 2013 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%)	
			2013	2012
Held by the Company				
China Satellite Mobile Communications Group Limited ("CSMCG") [1] (Note A)	Investment holding	BVI	45	-
Held by an associate, CSMCG				
China Mobile Satellite Communication Group Ltd ("CMSCG") [2]	Provision of mobile satellite communication services and distribution of satellite phones	Hong Kong	45	-
Held by an associate, CMSCG				
Suraya Network Technology (Shanghai) Co., Ltd [3]	Provision of mobile satellite communication services and distribution of satellite phones	PRC	45	-
Held by a subsidiary, ATHK				
Fesco E-HR Service (Beijing) Co., Ltd ("Fesco") [4]	Provision of IT consulting, IT support services, technical trainings and human resources services	PRC	45	45

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

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

(3) Audited by Qingdao Zhenqing Certified Public Accountants and reviewed by Crowe Horwath First Trust LLP for purpose of expressing an opinion on the consolidated financial statements.

(4) Audited by Beijing Chi Chuang Certified Public Accountants and reviewed by Crowe Horwath First Trust LLP for purpose of expressing an opinion on the consolidated financial statements.

Note A

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

8. ASSOCIATES (Continued)

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

a) Issuance of loan notes of $45,000,000 ("Loan Notes")
Loan Notes were issued on 23 July 2012, and subsequently the Company and the Vendors agreed mutually that the Loan Notes are to be settled by a contra arrangement of RMB25 million (equivalent to $30,427,500), of which the Vendors agreed to take over receivables (Note 12) due and payable to the Group of the equivalent value, and the remaining amount of $14,572,500 settled by way of cash during 2013.

b) Issuance of 920,000,000 fully paid-up ordinary shares ("Consideration Shares")
The Consideration Shares were allotted on 28 November 2012 at the prevailing market price of S$0.019 (equivalent to $0.120), amounting to approximately $110,849,000 (Note 19).

Under the SPA, the Vendors agreed to grant the Company a call option to purchase the remaining 55% equity interest in China Satellite Group from the Vendors, at the sole and absolute discretion of the Company ("55% Call Option"). The Company has the right to exercise the 55% Call Option upon the completion of certain target milestone events ("Target Milestones") before the specified long-stop date. As at the balance sheet date, the Target Milestones have not been met and, although the Company is entitled under the SPA to waive the fulfilment of the Target Milestones by China Satellite Group and exercise the 55% Call Option, the Board of Directors has no intention to exercise the 55% Call Option without the completion of the Target Milestones. In addition, the completion of the 55% Call Option is subject to shareholders' approval and relevant regulatory approval. Accordingly, as at 31 March 2013, the Board of Directors has assessed that the investment in China Satellite Group is accounted for as an associate as the Company has no control over China Satellite Group.

In the event that the Target Milestones have been fulfilled and the Company does not exercise the 55% Call Option, the Vendors shall be entitled to be reimbursed by the Company all relevant costs and expenses (including, without limitation, the fees and expenses of its financial advisors, accountants, legal and other professional advisors) incurred in connection with the SPA, including all other ancillary transactions, stamp duty and other documentary taxes (if any) paid in connection with the transfer of the shares up to a maximum amount of $5,000,000. The Board of Directors estimates that the Target Milestones will be met by the long-stop date and the 55% Call Option will be exercised by the Company upon the completion of the Target Milestones and, accordingly, the contingent consideration is not recognised at the acquisition date and the balance sheet date.

8. ASSOCIATES (Continued)

Impairment testing for China Satellite Group

During the financial year, management performed an impairment review for the investment in China Satellite Group as the associate is still in its initial start-up phase and has not generated any revenue during the year. The recoverable amount of the cost of investment in China Satellite Group has been determined using value-in-use calculations based on a 10-year cash flow projection from financial budgets approved by management. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the 10-year period are 50% and 0% respectively. Accordingly, no impairment loss is recognised as the recoverable amount exceeds the carrying amount of the investment.

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

Number of users – Number of users is based on a market analysis performed by an independent information and measurement company, taking into consideration of, *interalia*, the current operating capacity of existing satellites in the PRC and management estimated market share of the satellite industry of approximately 12.5% in the future. Management has considered the possibility of achieving lower than estimated market share. A reduction of 50% in the estimated market share would result in a recoverable amount approximating to the carrying amount of the investment as at 31 March 2013.

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

	2013 $'000	2012 $'000
Revenue	49,919	57,733
Net profit for the year / period	2,780	2,778
Assets [5]	76,548	69,115
Liabilities	26,965	14,507

[5] Included in Fesco's balance sheet are interest-free advances to certain third parties ("Borrowers"), amounting to $20,207,000 (2012: $18,827,000). The management, having evaluated the Group's effective credit exposure of $20,207,000 (2012: $8,472,000), taking into account, *interalia*, the credibility, financial standing and commitment to the repayment of monies of the Borrowers, is of the view that there is no impairment on the investment in the associate.

9. DUE FROM SUBSIDIARIES (NON-TRADE)

	Company	
	2013	2012
	$'000	$'000
Due from subsidiaries	268,754	236,508
Less: Impairment loss	(176,022)	(176,022)
	92,732	60,486

Amounts due from subsidiaries are unsecured with no fixed terms of repayment. The Company expects that these amounts will not be repaid within one year. All balances due from subsidiaries are interest-free, except for certain balances amounting to $176,022,000 (2012: $176,022,000) which are interest-bearing at 5% (2012: 5%) per annum. During the financial year, management waived the 5% interest charged for subsidiaries that sustained losses during the financial year.

Certain subsidiaries remained dormant and continued to sustain losses during the financial year. Accordingly, the amounts due from these subsidiaries, amounting to $176,022,000 (2012: $176,022,000), were impaired in prior years.

10. OTHER INVESTMENT

	Group	
	2013	2012
	$'000	$'000
Available-for-sale financial asset, at cost	12,728	12,728
Disposal of available-for-sale financial asset	(35)	(35)
Currency translation difference	313	319
Less: Impairment loss	(13,006)	(10,175)
	-	2,837

The movement in impairment loss is as follows:

	Group	
	2013	2012
	$'000	$'000
Balance at beginning of the year	10,175	6,065
Impairment loss made during the year	2,831	4,110
Balance at end of the year	13,006	10,175

10. OTHER INVESTMENT (Continued)

Available for sale financial asset represents the Group's authorisation to use a software system amounting to $2,612,000 and capital advances to a third party ("Vendor") of $10,018,000. In return, the Group is entitled to share 28% of the Vendor's advertising revenue for 15 years, commencing from 2010.

During the financial period ended 31 March 2012, the fair value of the available-for-sale financial asset was determined by applying the discounted cash flow model, based on a 15-year projection of the cash flows expected to be received, on the assumption that the future advertising revenue remains constant based on the actual revenue generated by the Vendor in 2011, and applying a discount rate of 16%. Accordingly, additional impairment loss recognised in the profit or loss amounted to $4,110,000 and the available-for-sale financial asset was written down to $2,837,000. The Group recognised its share of advertising revenue in 2012 amounting to $573,000 (Note 29) and the amount was received in full in the current financial year.

During the current financial year, the Vendor's advertising operations declined significantly and requires further capital injection from the Group before further revenues can be generated. The management, having considered, *interalia*, the operational cashflow requirements of the Group, decided not to extend further capital injection or advances to the Vendor. Accordingly, an impairment loss amounting to $2,831,000 was recognised in the profit or loss for the current financial year to fully impair the carrying amount of the investment as it is not probable that the investment will be recoverable.

11. OTHER ASSETS

	Group	
	2013	2012
	$'000	$'000
Deposit for acquisition of equipment [1]	8,565	-
Prepayment for software development fee [2]	7,965	-
Golf club membership	983	973
	17,513	973

[1] Deposit for acquisition of equipment amounting to $8,565,000 pertains to the establishment of a customer service and call support centre ("Call Support Centre") in the PRC to provide call support services to the satellite subscribers of an associate, China Satellite Group. The Call Support Centre is expected to be completed by 31 August 2013.

[2] Prepayment for software development fee amounting to $7,965,000 pertains to a prepaid card top-up and client account management system in relation to the mobile satellite communication operation of China Satellite Group. The software development is expected to be completed by 31 December 2013.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables	7,199	8,052	-	-
Short-term advances [1]	-	57,375	-	-
Other receivables	3,574	4,299	-	-
Prepayments [2]	2,273	294	198	211
Deposits [2]	8,111	341	-	-
	21,157	70,361	198	211
Less: Allowance for impairment loss	(3,569)	(3,541)	-	-
	17,588	66,820	198	211

[1] In the prior financial period ended 31 March 2012, the Group's subsidiary in the PRC entered into 4 agreements to extend various interest-free advances to certain business partners ("Borrowers") amounting to $57,375,000. The Board of Directors, having evaluated the Group's exposure to the Borrowers, taking into account, *interalia*, the credibility and financial standing of these Borrowers, including their commitment and ability with respect to the repayment of monies due under the respective repayment schedules, is of the view that there is no impairment on the carrying amounts of these advances.

During the current financial year, the Group entered into a contra arrangement to offset RMB25 million (equivalent to $30,427,500) of the advances of a subsidiary in PRC with the repayment of loan notes as part of purchase consideration of an associate, China Satellite Group (Note 8). The contra arrangement of RMB25 million is deemed as an income to the subsidiary and hence subject to tax under the tax law in PRC (Note 33).

The Group also entered into an agreement to offset RMB6,930,000 (equivalent to $8,565,000) with a deposit for acquisition of equipment (Note 11). The remaining balance was collected in full.

[2] Upon the renewal of the exclusive distribution rights in January 2013 for a 2-year period (Note 5), a subsidiary of the Group made a prepayment for an initial order of RFID chips amounting to $2,000,000 (2012: Nil) and a deposit amounting to $7,500,000 (2012: Nil) for future order of RFID chips. If unused the deposit is refundable at the end of the term of the exclusive distribution rights.

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

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

14. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2013	2012
	$'000	$'000
At beginning of year / period	-	-
Transfer from property, plant and equipment (Note 4)	2,936	-
Transfer from investment property (Note 6)	5,538	-
At end of year / period	8,474	-

In March 2013, a subsidiary entered into sale and purchase agreements with two third parties to dispose its two levels of office space in a commercial building in Zhuhai, PRC, included in property, plant and equipment, and investment property respectively. The disposal is aligned with the Group's plan to downsize its core business.

The properties, reclassified from property, plant and equipment (Note 4) to non-current assets held for sale, is stated at the carrying amount transferred as at 31 March 2013, amounting to $2,936,000 which is lower than the fair value less costs to sell.

The properties, reclassified from investment property (Note 6) is stated at the fair value, based on a willing-buyer, willing-seller cash consideration of RMB4,481,000 (equivalent to $5,538,000). A loss on fair value adjustment of $267,000 (2012: gain of $242,000) is recognised in the current financial year.

Subsequent to year-end, the disposals have been completed and the legal titles of the properties have been transferred to the respective buyers. The Group received the cash consideration in full and the corresponding revaluation reserve (Note 24) and deferred tax liabilities (Note 18) recognised as at 31 March 2013 and 31 March 2012 will be transferred to accumulated losses and recognised in the "Other Comprehensive Income" respectively upon derecognition of the properties in the following financial year.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables	2,392	3,189	-	-
Other payables	10,968	5,691	6,604	2,520
Accrued operating expenses	3,406	2,206	751	488
Deposits [1]	9,864	4,843	-	-
Receipts in advance	-	1,472	-	-
Due to directors (non-trade) [2]	699	-	699	-
	27,329	17,401	8,054	3,008

[1] Included in the balance are deposits received for the disposal of leasehold properties classified as non-current assets held for sale amounting to $9,864,000 which has been completed subsequent to the balance sheet date (2012: $4,800,000 deposits received in relation to the issuance of 166,000,000 ordinary shares).

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

16. BORROWING

	Group	
	2013	2012
	$'000	$'000
Secured term loan	-	5,519

In the prior financial period 31 March 2012, the term loan of the Group is secured by way of legal pledge on the leasehold investment property (Note 6). This loan was repayable in equal instalments commencing on 9 January 2012 over 12 months and interest was payable at 12% per annum. The loan has been fully repaid during the current financial year.

17. LEASE OBLIGATIONS

Group	Minimum lease payments	Interest	Present value of payments
	$'000	$'000	$'000
2013			
Current portion:			
- Not later than 1 year	282	(31)	251
2012			
Current portion:			
- Not later than 1 year	492	(56)	436

The Group leases motor vehicles under finance leases. Lease terms range from 4 to 5 years with options to purchase at the end of the lease term, but has been classified as short-term because the lease agreements contain a clause which gives the lender the right to demand repayment at any time, at its sole discretion and irrespective of whether a default event has occurred. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The obligations under finance leases are effectively secured as the rights to the leased motor vehicles revert to the lessor in the event of default by the Group. The weighted average effective interest rate of lease obligations is at 2.5% (2012: 2.5% to 3.5%) per annum.

18. DEFERRED TAX LIABILITIES

	Group	
	2013	2012
	$'000	$'000
At beginning of year / period	1,291	3,072
Recognised in the:		
- profit or loss (Note 33)	729	(2,522)
- equity (Note 24)	-	638
Currency translation difference	17	103
At end of year / period	2,037	1,291

18. DEFERRED TAX LIABILITIES (Continued)

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

Deferred tax liabilities of the Group	Trade receivables	Asset revaluation of investment property / non-current asset held for sale	Others	Total
	$'000	$'000	$'000	$'000
2013				
At beginning of year	421	648	222	1,291
Recognised in the profit or loss	-	703	26	729
Currency translation difference	3	11	3	17
At end of year	424	1,362	251	2,037
2012				
At beginning of period	2,896	-	176	3,072
Recognised in the:				
- profit or loss	(2,561)	-	39	(2,522)
- equity	-	638	-	638
Currency translation difference	86	10	7	103
At end of period	421	648	222	1,291

The Group has unused tax losses of $49,639,000 (2012: $56,768,000). No deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

19. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of ordinary shares of $0.05 each	$'000	Number of ordinary shares of $0.05 each	$'000
Authorised:				
At beginning / end of the year / period	10,000,000,000	500,000	10,000,000,000	500,000
Issued and fully paid:				
At beginning of the year / period	1,128,640,474	56,432	964,640,474	48,232
Issued for cash [i]	429,500,000	21,475	114,000,000	5,700
Issued for acquisition of non-controlling interest [ii]	-	-	50,000,000	2,500
Issued for acquisition of China Satellite Group [iii]	920,000,000	46,000	-	-
Issued for share based payment [iv]	45,683,000	2,284	-	-
At end of the year / period	2,523,823,474	126,191	1,128,640,474	56,432

19. SHARE CAPITAL (Continued)

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

(i) On 21 June 2012 and 28 August 2012, the Company issued 96,000,000 and 70,000,000 new ordinary shares respectively at an issue price of $0.194 (equivalent to S$0.031) for each placement share of $0.05 each to 7 individual investors to finance (a) the Group's existing investment opportunities and / or investment in China Satellite Group and (b) the Group's general corporate and working capital requirements.

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

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

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

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

(iv) On 1 October 2012, the Company issued 10,683,000 ordinary shares of $0.05 each at an issue price of S$0.0167 each in relation to commission payable to a fund raising agent, being 3.5% of the aggregate amount of the proceeds raised from the placement / subscription of 166,000,000 ordinary shares in note (i) above, amounting to $1,120,000.

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

19. SHARE CAPITAL (Continued)

Share options

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

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

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

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

Group and Company

	Number of ordinary shares under option							
	Beginning of the financial year / period '000	Granted during the financial year / period '000	Lapsed during the financial year / period '000	Expired during the financial year / period '000	Exercised during the financial year / period '000	End of the financial year / period '000	Exercise price	Exercise period
2013								
	11,650	-	-	(11,650)	-	-	S$0.213	2 November 2008 to 2 November 2012
	11,650	-	-	(11,650)	-	-	S$0.213	2 November 2009 to 2 November 2012
	23,300	-	-	(23,300)	-	-		
2012								
	11,850	-	(200)	-	-	11,650	S$0.213	2 November 2008 to 2 November 2012
	11,850	-	(200)	-	-	11,650	S$0.213	2 November 2009 to 2 November 2012
	23,700	-	(400)	-	-	23,300		

19. SHARE CAPITAL (Continued)

During the financial year, 23,300,000 share options expired due to expiry of the options in November 2012 (2012: 400,000 shares options lapsed due to resignation of option holders). No shares of the Company were allotted and issued by virtue of the exercise of options to take up unissued shares of the Company. The Company has no outstanding share options as at balance sheet date. The amount of share-based capital reserve was consequently transferred into accumulated losses at end of the current year (Note 25).

20. SHARE PREMIUM

	Group and Company	
	2013	2012
	$'000	$'000
At beginning of the year / period	159,991	131,542
Issuance of new ordinary shares:		
- for cash (Note 19 (i))	45,767	18,835
- for acquisition of non-controlling interest in CRL (Note 19 (ii))	-	10,932
- for acquisition of an associate, China Satellite Group (Note 19 (iii))	64,849	-
- for share-based payment (Note 19 (iv))	6,677	-
Less: Share issue cost	(5,736)	(1,318)
At end of the year / period	271,548	159,991

21. CONTRIBUTED SURPLUS

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

22. TRANSLATION RESERVE

	Group	
	2013	2012
	$'000	$'000
At beginning of the year / period	31,806	27,983
Net currency translation difference of financial statements of foreign subsidiaries	(38)	2,830
Share of translation reserve of an associate	207	993
At end of the year / period	31,975	31,806

23. STATUTORY RESERVE

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

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

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

24. REVALUATION RESERVE

	Group	
	2013	2012
	$'000	$'000
At beginning of the year / period	1,561	98
Revaluation gains on property, plant and equipment upon transfer as investment property at fair value (Note 6)	-	2,101
Less: Deferred tax recognised in other comprehensive income (Note 18 and Note 33(b))	-	(638)
At end of the year / period	1,561	1,561

Revaluation reserve in respect of property, plant and equipment transferred to investment property at fair value will be transferred to accumulated losses when the asset is derecognised, subsequent to year-end.

25. SHARE-BASED CAPITAL RESERVE

	Group and Company	
	2013	2012
	$'000	$'000
At beginning of the year / period	20,174	12,544
Professional fees shares (i)	(7,841)	7,841
Employee share option scheme		
- Transfer to accumulated losses for expired / lapsed options (Note 19 and Note 27)	(12,333)	(211)
At end of the year / period	-	20,174

25. SHARE-BASED CAPITAL RESERVE (Continued)

(i) In prior period, the Company entered into an agreement with its financial advisor in relation to the acquisition of 45% interest in an associate, China Satellite Group (Note 8) to issue 3% of the purchase consideration of the proposed acquisition as professional fees. The equity settled share-based payment amounting to $7,841,000 (35,000,000 shares at a fair value of S$0.037 at grant date) is the first tranche of professional fees, as stipulated in the agreement and approved by the Shareholders on 21 December 2011, which is also the grant date. During the current year, the Company allotted the 35,000,000 new ordinary shares (Note 19 (iv)) and transferred the amount to share capital and share premium account.

26. OTHER DEFICIT

	Group	
	2013	2012
	$'000	$'000
At beginning of the year / period	(49,466)	(19,027)
Premium on acquisition of non-controlling interest in CRL	-	(30,439)
At end of the year / period	(49,466)	(49,466)

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

27. ACCUMULATED LOSSES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of the year / period	(169,317)	(120,140)	(222,252)	(105,223)
Loss for the year / period	(41,352)	(49,388)	(19,895)	(117,240)
Employee share option expired / lapsed during the year / period (Note 25)	12,333	211	12,333	211
At end of the year / period	(198,336)	(169,317)	(229,814)	(222,252)

28. REVENUE

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Sale of equipment and electronic chips	11,566	25,271
Revenue from services	2,872	22,913
	14,438	48,184

29. OTHER INCOME

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Foreign exchange gain, net	372	25
Gain on disposal of property, plant and equipment	-	^
Gain on fair value adjustment of investment property (Note 6)	-	242
Interest income	15	17
Rental income from investment property (Note 6)	172	308
Share of advertising revenue (Note 10)	-	573
Others	1	1
	560	1,166

^ Amount less than $1,000.

30. PERSONNEL EXPENSES

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Salaries and allowances	7,486	8,209
Contributions to defined contribution retirement plans	448	602
Other welfare and benefits	182	317
	8,116	9,128

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

31. OTHER EXPENSES

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Entertainment	2,987	3,743
Loss on disposal of property, plant and equipment	85	-
Loss on fair value adjustment of investment property (Note 6)	267	-
Marketing expenses	1,712	-
Operating lease expenses	1,267	1,453
Professional fees		
- paid / payable by cash [(1)]	13,903	16,010
- equity-settled share based payment (Note 19 (iv))	1,120	7,841
Software development expenses	434	-
Travelling expenses	3,768	6,028
Others	3,996	3,330
	29,539	38,405

(1) Included in the professional fees is a consultancy fee amounting to $5,809,000 (2012: $634,000) paid or payable to an individual third party for dealing with various PRC government authorities in order to coordinate and expedite the process for an associate, China Satellite Group to obtain various approvals and licences necessary for the mobile satellite communication business in PRC.

32. LOSS BEFORE TAX

This is determined after charging the following:

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Directors' remuneration		
- directors of the Company	1,940	2,344
- directors of subsidiaries	1,586	1,663
Directors' fees		
- directors of the Company	873	827
Audit fees		
- auditors of the Company	772	657
- other auditors	813	550
Non-audit fees		
- auditors of the Company	16	22
- other auditors	-	20

33. INCOME TAX

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

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Current tax		
current year / period	2,350	-
Deferred tax (Note 18)		
- current year / period	729	39
- over provision in prior years	-	(2,561)
	3,079	(2,522)

(b) Income tax recognised in other comprehensive income:

	Group					
	1 April 2012 to 31 March 2013			1 January 2011 to 31 March 2012		
	Before-tax amount	Tax expense	Net-of-tax	Before-tax amount	Tax expense	Net-of-tax
	$'000	$'000	$'000	$'000 (Note 6)	$'000 (Note 18)	$'000
Revaluation gains of investment property upon transfer from property, plant and equipment	-	-	-	2,101	(638)	1,463

33. INCOME TAX (Continued)

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

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Accounting loss	(38,273)	(52,825)
Tax at the applicable tax rate of 16.5% (2012: 16.5%)	(6,315)	(8,716)
Tax effect of		
- different tax rates in other countries	(916)	(1,155)
- expenses not deducted for tax purposes	1,134	1,472
- income not subject to tax	(30)	-
- deemed income on contra arrangement (Note 12)	7,648	-
- unutilised tax losses not recognised	1,656	3,668
- utilisation of previously unrecognised tax losses	(4,249)	-
- losses incurred in tax free jurisdiction	4,551	5,372
- income generated in tax free jurisdiction	(200)	(396)
- share of profit of associate	(200)	(206)
- overprovision of deferred tax in prior years	-	(2,561)
Tax expense / (benefit)	3,079	(2,522)

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

Hong Kong

The Group's profits derived in Hong Kong are subject to Hong Kong statutory tax at 16.5% (2012: 16.5%). No tax provision for Hong Kong profits was made, as there was no assessable profit derived in Hong Kong for the year / period.

PRC

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

33. INCOME TAX (Continued)

PRC (Continued)

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax is levied on dividends declared to foreign investors from a PRC entity effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. Since ATZH is wholly owned by ATHK, a Hong Kong registered company, the applicable withholding tax rate is 5%. On 22 February 2008, Caishui (2008) No.1 was promulgated by the tax authorities to specify that dividends from the retained earnings as at 31 December 2007 are exempted from the withholding tax. ATZH has been recording accumulated losses for financial year ended 31 December 2008 onwards and there are no deferred withholding tax as at 31 March 2013 (2012: $Nil).

Singapore

No Singapore income tax was payable in respect of the Group's operations in Singapore, as such operations sustained losses for tax purposes during the current and preceding years.

BVI

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

34. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period / year including the bonus element inherent in the placement shares issued (Note 19):

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
Net loss attributable to equity holders of the Company ($'000)	(41,352)	(49,388)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	1,630,691	1,099,863
Basic loss per share (cents)	(2.54)	(4.49)

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. There are no dilutive potential ordinary shares issued and/or granted at current year end. In prior year, the Company has 2 types of dilutive potential ordinary shares: share options and professional fees shares (Note 25).

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

34. LOSS PER SHARE (Continued)

(b) Diluted loss per share (Continued)

The professional fees shares issuable as disclosed in Note 25 has been included in the calculation of weighted average number of shares for diluted loss per share from the date of the agreement entered with the financial advisors.

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

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
Net loss attributable to equity holders of the Company ($'000)	(41,352)	(49,388)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	1,630,691	1,099,963
Potential ordinary shares issuable as professional fees	10,260	20,954
	1,640,951	1,120,917
Diluted loss per share (cents)	(2.52)	(4.41)

35. RELATED PARTY INFORMATION

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

	Group	
	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Key management personnel compensation		
Directors of the Company		
- Salary and related costs	1,927	2,266
- Pension contributions	13	78
- Director's fee	873	827
Directors of subsidiaries		
- Salary and related costs	1,573	1,555
- Pension contributions	13	108
Other key management personnel		
- Salary and related costs	718	770
- Pension contributions	60	69

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

35. RELATED PARTY INFORMATION (Continued)

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

36. COMMITMENTS

(i) Non-cancellable operating lease commitments

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

	Group	
	2013	2012
	$'000	$'000
Not later than one year	1,125	479
Later than one year and not later than five years	758	-
	1,883	479

The leases on the subsidiaries' office premises on which rentals are payable will expire from 1 October 2013 to 30 April 2017 (2012: 30 April 2012 to 1 October 2012). The current rent payable on the leases ranges from $720 to $84,105 (2012: $720 to $78,000) per month.

(ii) Future capital expenditure

Capital expenditure contracted for as at 31 March 2013 but not recognised in the financial statements are as follows:

	Group	
	2013	2012
	$'000	$'000
In respect of plant and equipment	4,912	-
In respect of software development fee	55	-
	4,967	-

37. SEGMENT INFORMATION

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

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

37. SEGMENT INFORMATION (Continued)

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

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

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

Business segments

1 April 2012 to 31 March 2013	Provision of IT services	Trading of IT equipment	All other segments	Total Group
	$'000	$'000	$'000	$'000
Revenue (including other income)	2,872	11,566	560	14,998
Segment loss	(4,825)	(14,485)	(19,535)	(38,845)
Share of profit of associates				1,211
Finance costs				(639)
Loss before tax				(38,273)
Income tax				(3,079)
Loss for the year				(41,352)
Segment assets	27,553	71,709	165,882	265,144
Segment liabilities	8,253	11,213	8,114	27,580
Unallocated liabilities				
- Income tax payable				2,843
- Deferred tax liabilities				2,037
				4,880
Consolidated total liabilities				32,460
Other segment items				
Investment in associates	29,634	-	156,114	185,748
Capital expenditure	1	21	-	22
Depreciation of property, plant and equipment	200	465	-	665
Amortisation of intangible assets	531	213	-	744
Impairment loss	1,339	1,492	-	2,831
Equity-settled share based payment	-	-	1,120	1,120
Loss on fair value adjustment of investment property	-	-	267	267

37. SEGMENT INFORMATION (Continued)

Business segments (Continued)

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

37. SEGMENT INFORMATION (Continued)

Business segments (Continued)

The Group has neither balances nor transactions between segments for the financial year / period ended 31 March 2013 and 2012.

Reconciliations of reportable segment revenues

	1 April 2012 to 31 March 2013 $'000	1 January 2011 to 31 March 2012 $'000
Total revenue for reportable segments	14,998	49,350
Less: Income from all other segments (Note 29)	(560)	(1,166)
Consolidated revenue	14,438	48,184

Geographical information

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

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

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

	Revenue		Non-current assets	
	1 April 2012 to 31 March 2013 $'000	1 January 2011 to 31 March 2012 $'000	1 April 2012 to 31 March 2013 $'000	1 January 2011 to 31 March 2012 $'000
Hong Kong	4,751	8,417	446	670
PRC	10,247	40,933	206,924	42,092
	14,998	49,350	207,370	42,762

Revenues (including other income) of approximately $7,112,500 (2012: $9,438,000) are derived from a single external customer. These revenues are attributable to the PRC trading of IT equipment.

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

37. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

Revenue from major products

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

	1 April 2012 to 31 March 2013	1 January 2011 to 31 March 2012
	$'000	$'000
Provision of IT services	2,872	22,913
Trading of IT equipment:		
- IT equipment	11,566	20,727
- RFID chips	-	4,544
Others	560	1,166
	14,998	49,350

38. SUBSEQUENT EVENT

On 30 April 2013, the Company announced a placement and subscription of 715,700,000 new ordinary shares comprising placement shares of up to 410,000,000 new shares with a placement agent and subscription shares of up to 305,700,000 new shares to 8 individual investors, both at an issue price of S$0.0217 each (equivalent to $0.1364) to finance the Group's existing and new investments and general corporate and working capital purposes. The net proceeds from the placement and subscription, after deducting estimated expenses (including commissions, introduction fees and professional and consultancy fees), amounted to approximately S$14,400,000 (equivalent to $90,519,000 approximately).

The 715,700,000 new ordinary shares has been issued and allotted by the Company on 13 May 2013. The newly issued shares rank *pari passu* in all respects with previously issued shares.

39. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk

(a) Foreign exchange risk

The Group operates mainly in Hong Kong and PRC and the Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily with respect to Chinese Renminbi and United States dollar.

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

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

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2012	Hong Kong dollar	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Other investments	-	2,837	-	-	2,837
Trade and other receivables	3,383	59,931	13	3,199	66,526
Cash and bank balances	413	11,895	1	780	13,089
Intra-group receivables	527,954	-	-	-	527,954
	531,750	74,663	14	3,979	610,406
Financial liabilities					
Trade and other payables	1,174	5,501	3,298	1,113	11,086
Borrowing	-	5,519	-	-	5,519
Lease obligations	436	-	-	-	436
Intra-group payables	527,954	-	-	-	527,954
	529,564	11,020	3,298	1,113	544,995
Net financial assets (liabilities)	2,186	63,643	(3,284)	2,866	65,411
Less: Net financial liabilities (assets) denominated in the respective entities functional currencies	1,383	(63,643)	41	-	(62,219)
Foreign currency exposure	3,569	-	(3,243)	2,866	3,192

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

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

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

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

If the Hong Kong dollar strengthens by 10% (2012: 10%) against the relevant foreign currency, with all other variables held constant, loss for the year / period or other comprehensive income, net of tax will increase (decrease) by:

Group	Hong Kong dollar *	Chinese Renminbi	Singapore dollar	United States dollar	Canadian dollar
	$'000	$'000	$'000	$'000	$'000
2013					
Loss for the year	-	-	(323)	129	(205)
Other comprehensive income, net of tax	2,669	-	-	-	-
2012					
Loss for the period	-	-	(271)	239	-
Other comprehensive income, net of tax	298	-	-	-	-

* Against RMB, the functional currency of a PRC subsidiary

Company	Singapore dollar	United States dollar	Canadian dollar
	$'000	$'000	$'000
2013			
Loss for the year	(322)	(52)	(205)
2012			
Loss for the period	(216)	(7)	-

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 31 March 2013, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

Other than the lease obligations, cash and bank balances, amounts due from subsidiaries and borrowing, the Group and the Company do not have financial instruments exposed to interest rate risk as at 31 March 2013. The Group adopts a policy of ensuring that over 90% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The Group's finance lease obligations are on fixed rate basis for the year / period presented.

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Within 1 year – fixed rates				
Lease obligations (Note 17)	251	436	-	-
Borrowing (Note 16)	-	5,519	-	-
Within 1 year – floating rates				
Cash and bank balances	30,008	13,089	4	4

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

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

(ii) Liquidity risk

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

As at 31 March 2013, the Group has cash at bank balances deposited with banks in the PRC denominated in RMB amounting to $22,805,000 (RMB18,453,000) (2012: $11,895,000 (RMB9,698,000)). The RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of settlement, sale and payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

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

Group	Weighted average effective interest rate	On demand or not later than 1 year
	%	$'000
2013		
Non-derivative instruments		
Trade and other payables	-	17,465
Lease obligations	3	282
		17,747
2012		
Non-derivative instruments		
Trade and other payables	-	11,086
Borrowing	12	6,181
Lease obligations	3	492
		17,759

Company	On demand or not later than 1 year
	$'000
2013	
Non-derivative instruments	
Trade and other payables	8,054
Due to a subsidiary	30,441
	38,495
2012	
Non-derivative instruments	
Trade and other payables	3,008

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk

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

At the balance sheet date, approximately $7,199,000 (2012: $6,132,000) of the Group's trade receivables were due from 2 (2012: 2) major customers who are private limited companies operated in Hong Kong and PRC. The Group's deposits comprise a deposit of $7,500,000 paid to a RFID chips supplier incorporated in British Virgin Island and operated in Hong Kong which will be first offset against future purchases, with any unused balances refunded at the end of the term of the exclusive distribution rights. In prior period, approximately $57,375,000 of the Group's short-term advances was due from 4 major debtors who are private limited companies incorporated in PRC (Note 12).

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

The credit term granted to trade receivables range from 180 to 270 days (2012: 180 to 270 days) term. No interest is charged on the trade receivables balances.

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

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

	Group	
	2013	2012
	$'000	$'000
By geographical areas		
- Hong Kong	2,397	6,293
- People's Republic of China	4,807	59,879
- Singapore	-	13
	7,204	66,185

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

	Group	
	2013	2012
	$'000	$'000
Not past due and not impaired	4,570	62,825
Past due but not impaired		
- Past due 0 to 3 months	1,986	1,269
- Past due 3 to 6 months	648	2,037
- Past due over 6 months	-	54
	2,634	3,360
Impaired receivables	3,569	3,541
Less: Allowance for impairment loss		
Recognised during the period in profit or loss	(3,569)	(3,487)
Currency translation difference	-	(54)
	(3,569)	(3,541)
	-	-
	7,204	66,185

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

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

Included in the Group's receivables are customers with total carrying amount of $2,634,000 (2012: $3,360,000), which are past due but not impaired as there has not been a significant change in credit quality and the amount are still considered recoverable.

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The movement in allowance for impairment loss is as follows:

	Group	
	2013	2012
	$'000	$'000
Balance at beginning of year / period	3,541	-
Allowance made during the year	-	3,487
Currency translation difference	28	54
Balance at end of the year / period	3,569	3,541

(iv) Financial instruments by category

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Financial assets:				
Loans and receivables (including cash and bank balances)	39,527	79,615	92,736	60,490
Available-for-sale financial asset	-	2,837	-	-
	39,527	82,452	92,736	60,490
Financial liabilities:				
Financial liabilities at amortised cost	17,716	17,041	38,495	3,008

39. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives

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

The capital structure of the Group consists of debt, which includes borrowing disclosed in Note 16, net of cash and bank balances, and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses as disclosed in Notes 19 to 27. The Group's and Company's strategies, which were unchanged from 2012 are to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

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

As disclosed in Note 23, the PRC incorporated subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been compiled with by the above-mentioned subsidiary for the financial year / period ended 31 March 2013 and 2012.

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

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy as at 31 March 2013:

Group	2013 $'000	2012 $'000
Level 1	-	-
Level 2	-	-
Level 3	(i) -	2,837
	-	2,837

(i) The financial asset is fully impaired due to the management assessed that there is objective evidence that indicates the investment may not be recovered (Note 10).

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy

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

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

Determination of fair value

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

Movements in Level 3 financial instruments measured at fair value

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

	2013 $'000	2012 $'000
Opening balance	2,837	6,754
Currency translation difference	(6)	228
Impairment loss (Note 10)	(2,831)	(4,110)
Disposal	-	(35)
Closing balance (Note 10)	-	2,837
Total losses for the year / period included in profit or loss for assets and liabilities held at balance sheet date	(2,831)	(4,110)

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

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

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

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

SHAREHOLDERS' INFORMATION

AS AT 27 JUNE 2013

Share Capital

Authorised share capital	- HK$500,000,000
Issued and fully paid-up	- HK$161,976,173.70
No. of Treasury Shares Held	- Nil
Class of shares	- Ordinary shares of HK$0.05 each
Voting rights	- On a show of hands : 1 vote for each shareholder
	- On a poll : 1 vote for each ordinary share

Public Shareholders

Based on information available to the Company as at 27 June 2013, 90.96% of the issued ordinary shares of the Company were held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited has been complied with.

Analysis Of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	5	0.12	786	0.00
1,000 - 10,000	652	15.36	3,819,000	0.12
10,001 - 1,000,000	3,342	78.73	652,243,118	20.13
1,000,001 and above	246	5.80	2,583,460,570	79.75
	4,245	100.00	3,239,523,474	100.00

Top 20 Shareholders

No.	Name	No. of Shares	%
1	Phillip Securities Pte Ltd	353,496,834	10.91
2	UOB Kay Hian Pte Ltd	340,260,638	10.50
3	Zhang Jian Hua	237,100,000	7.32
4	DBS Vickers Securities (S) Pte Ltd	136,275,570	4.21
5	Koh Wee Meng	105,000,000	3.24
6	OCBC Securities Private Ltd	82,904,000	2.56
7	Wong Chon Chong	66,000,000	2.04
8	DBS Nominees Pte Ltd	59,565,251	1.84
9	Sheng Da Wei	57,500,000	1.77
10	DMG & Partners Securities Pte Ltd	56,252,000	1.74
11	Liu Yong Ning	52,750,000	1.63
12	HSBC (Singapore) Nominees Pte Ltd	44,870,000	1.39
13	Compelling Vision Technology Limited	44,381,277	1.37
14	Raffles Nominees Pte Ltd	42,035,000	1.30
15	Tu Xiaojing	35,625,000	1.10
16	You Shuidong	30,000,000	0.93
17	Wang Jian	26,938,000	0.83
18	Guo Shujuan	25,600,000	0.79
19	Tse Chi Nang	24,500,000	0.76
20	Neo Teck Kee	23,000,000	0.71
		1,844,053,570	56.94

Substantial Shareholder

Name of substantial shareholder	Number of shares registered in the name of the substantial shareholder	Number of shares in which the substantial shareholder is deemed to have an interest	Total	Percentage (%)
Zhang Jian Hua	237,100,000	-	237,100,000	7.32

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2013 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 26 July 2013 at 3.30 p.m. (Hong Kong time) to transact the following business:-

Ordinary Business

1 To receive and adopt the directors' report and audited financial statements for the financial year ended 31 March 2013 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) Dr Chou Tao-Hsiung, Joseph

Note: Dr Chou Tao-Hsiung, Joseph will continue in office as a member of the Audit Committee as well as a member of both the Remuneration and Nominating Committees upon his re-election as a director of the Company. Dr Chou is considered a non-executive and non-independent director.

(b) Mr Gao Xiang Jun

3 To re-elect Mr Mak Tin Sang, who was appointed as a new director of the Company pursuant to Bye-law 107(B) of the Bye-Laws of the Company.

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

"That directors' fees of S$134,000/- payable by the Company for the year ending 31 March 2014 be approved."

Note: The amount of directors' fees for the financial year ended 31 March 2013 was S$167,500/-.

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

Special Business

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

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

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

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

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

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

provided always that:-

(i) the aggregate number of Shares to be issued pursuant to this Resolution 6 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6) does not exceed 100% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below), 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 6 is passed, after adjusting for:-

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

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

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

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

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

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

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

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

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

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

provided always that:-

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

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

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

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

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 7 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

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

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

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

BY ORDER OF THE BOARD

CHU YIN LING, KAREN
COMPANY SECRETARY

Singapore,
3 July 2013

NOTICE OF ANNUAL GENERAL MEETING

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

(1) Special Resolution 6 is to empower the directors of the Company, from the date of the passing of Special Resolution 6 to the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to issue Shares 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 6 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time that Special Resolution 6 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Special Resolution 6, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(2) Ordinary Resolution 7 is to empower the directors of the Company, in the event that Special Resolution 6 is not passed, from the date of the passing of Ordinary Resolution 7 to the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to issue Shares 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 7 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time that Ordinary Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Ordinary Resolution 7, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(3) Ordinary Resolution 8 is to empower the directors of the Company 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 26 July 2013 at 3.30 p.m. (Hong Kong time). Shareholders attending the teleconference in person or by proxy shall be entitled to vote at the Annual General Meeting.

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

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

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

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

The contact person for the Sponsor is Mr. Liau H.K.
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