

## ARMARDA GROUP LIMITED

### Second Quarter Financial Statement And Dividend Announcement

Financial statements on combined results of the Group for the second quarter of Financial Year 2010 (FY2010) ended 30 June 2010. These figures have not been audited.

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

**ARMARDA GROUP LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
**(Expressed in Hong Kong thousand dollars)**

	Three Months Ended			Six Months Ended		
	30.6.2010	30.6.2009	Change %	30.6.2010	30.6.2009	Change %
Revenue	4,079	10,378	-61%	10,923	19,492	-44%
Other income	2	185	-99%	4	473	-99%
Staff costs	(2,184)	(3,447)	-37%	(4,699)	(8,557)	-45%
Depreciation	(616)	(935)	-34%	(1,184)	(1,857)	-36%
Amortisation of intangible asset	(3,134)	(1,564)	100%	(6,268)	(2,586)	142%
Impairment of goodwill	(25,000)	-	N/M	(25,000)	-	N/M
Cost of goods sold	(2,671)	(5,149)	-48%	(5,821)	(7,723)	-25%
Other expenses	(3,072)	(4,909)	-37%	(7,547)	(8,501)	-11%
Finance costs	(69)	(19)	263%	(95)	(32)	197%
Share of profit / (loss) of associate	(466)	162	N/M	(1,079)	650	N/M
<b>Loss before taxation</b>	<b>(33,131)</b>	<b>(5,298)</b>	<b>525%</b>	<b>(40,766)</b>	<b>(8,641)</b>	<b>372%</b>
Income tax expense	-	-	N/M	-	-	N/M
<b>Loss for the period</b>	<b>(33,131)</b>	<b>(5,298)</b>	<b>525%</b>	<b>(40,766)</b>	<b>(8,641)</b>	<b>372%</b>
<b>Attributable to:</b>						
Equity shareholders of the Company	(33,131)	(5,298)	525%	(40,766)	(8,641)	372%
<b>Loss for the period</b>	<b>(33,131)</b>	<b>(5,298)</b>	<b>525%</b>	<b>(40,766)</b>	<b>(8,641)</b>	<b>372%</b>

N/M : Not meaningful

**1(a)(ii) A consolidated statement (for the group) of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year**

**ARMARDA GROUP LIMITED**  
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
(Expressed in Hong Kong thousand dollars)

	Three Months Ended			Six Months Ended		
	30.6.2010	30.6.2009	Change %	30.6.2010	30.6.2009	Change %
<b>Loss for the period</b>	<b>(33,131)</b>	<b>(5,298)</b>	<b>525%</b>	<b>(40,766)</b>	<b>(8,641)</b>	<b>372%</b>
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	-	-	N/M	-	-	N/M
Cash flow hedges	-	-	N/M	-	-	N/M
Share of cash flow hedges of associate	-	-	N/M	-	-	N/M
<b>Total comprehensive loss for the period</b>	<b>(33,131)</b>	<b>(5,298)</b>	<b>525%</b>	<b>(40,766)</b>	<b>(8,641)</b>	<b>372%</b>
<b>Total comprehensive loss attributable to</b>						
Equity shareholders of the Company	(33,131)	(5,298)	525%	(40,766)	(8,641)	372%
<b>Total comprehensive loss for the period</b>	<b>(33,131)</b>	<b>(5,298)</b>	<b>525%</b>	<b>(40,766)</b>	<b>(8,641)</b>	<b>372%</b>

N/M : Not Meaningful

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

**ARMARDA GROUP LIMITED**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2010**  
**(Expressed in Hong Kong thousand dollars)**

	<u>The Group</u>		<u>The Company</u>	
	<u>As at 30.06.2010</u>	<u>As at 31.12.2009</u>	<u>As at 30.06.2010</u>	<u>As at 31.12.2009</u>
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	20,953	24,087
Interest in an associate	23,345	24,424	-	-
Property, plant and equipment	6,909	7,800	-	-
Intangible assets	67,537	98,805	-	-
Amounts due from subsidiaries	-	-	139,301	173,229
Other investments	5,677	5,052	-	-
Other assets	900	900	-	-
	<u>104,368</u>	<u>136,981</u>	<u>160,254</u>	<u>197,316</u>
<b>Current assets</b>				
Trade and other receivables	76,742	77,930	325	132
Cash and cash equivalents	7,587	14,258	4	4
	<u>84,329</u>	<u>92,188</u>	<u>329</u>	<u>136</u>
<b>Current liabilities</b>				
Obligations under finance lease	169	109	-	-
Short term loan	5,682	-	-	-
Other payables and accruals	20,812	26,046	1,496	663
Taxation payable	55	434	-	-
	<u>26,718</u>	<u>26,589</u>	<u>1,496</u>	<u>663</u>
<b>Net current assets / (liabilities)</b>	<u>57,611</u>	<u>65,599</u>	<u>(1,167)</u>	<u>(527)</u>
<b>Non-current liabilities</b>				
Obligations under finance lease	393	228	-	-
Deferred tax liabilities	2,043	2,043	-	-
	<u>2,436</u>	<u>2,271</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u><b>159,543</b></u>	<u><b>200,309</b></u>	<u><b>159,087</b></u>	<u><b>196,789</b></u>
<b>Total equity</b>				
Share capital	112,928	102,261	112,928	102,261
Reserves	43,095	94,528	46,159	94,528
Total equity attributable to equity shareholders of the Company	156,023	196,789	159,087	196,789
Non-controlling interest	3,520	3,520	-	-
	<u><b>159,543</b></u>	<u><b>200,309</b></u>	<u><b>159,087</b></u>	<u><b>196,789</b></u>

## 1(b)(ii) Aggregate amount of group's borrowings and debt securities

### Amount repayable in one year or less, or on demand

	As at 30.6.2010 In HK\$'000		As at 31.12.2009 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	5,682	-	-	-
Hire Purchase	169	-	109	-

### Amount repayable after one year

	As at 30.6.2010 In HK\$'000		As at 31.12.2009 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	-	-	-	-
Hire Purchase	393	-	228	-

### Details of any collateral

The bank loans are secured by the Group's leasehold property in PRC.

The hire purchase loans are secured by the Group's motor vehicles.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

**ARMARDA GROUP LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
(Expressed in Hong Kong thousand dollars)

	Three Months Ended		Six Months Ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
<b>Cash flows from operating activities</b>				
Loss before taxation	(33,131)	(5,298)	(40,766)	(8,641)
Adjustment for :				
Interest income	(2)	(185)	(4)	(473)
Share of (profit) / loss of an associate	466	(162)	1,079	(650)
Loss on disposal of property, plant and equipment	-	-	59	-
Finance costs	69	19	95	32
Depreciation	616	935	1,184	1,857
Amortisation of intangible assets	3,134	1,564	6,268	2,586
Impairment of intangible assets	25,000	-	25,000	-
Equity settled share-based payment	-	324	-	2,844
	(3,848)	(2,803)	(7,085)	(2,445)
(Increase) / decrease in trade and other receivables	(18)	(11,886)	1,188	(7,526)
Increase / (decrease) in other payables and accruals	(2,044)	(108)	(5,214)	(4,037)
	(5,910)	(14,797)	(11,111)	(14,008)
Interest received	2	185	4	473
Interest paid	(69)	(19)	(95)	(32)
Income taxes paid	-	-	(399)	(125)
<b>Net cash used in operating activities</b>	<b>(5,977)</b>	<b>(14,631)</b>	<b>(11,601)</b>	<b>(13,692)</b>
<b>Cash flows from investing activities</b>				
Addition of property, plant and equipment	-	(1,080)	(52)	(1,548)
Payment for development of an intangible asset	-	(1,304)	-	(1,304)
Acquisition of a subsidiary net with cash acquired	-	(6,575)	-	(32,000)
Proceeds received from issue of new shares	-	24,625	-	24,625
Payment of share issue expenses	-	(1,970)	-	(1,970)
Acquisition of other investments	-	-	(625)	-
<b>Net cash generated from / (used in) investing activities</b>	<b>-</b>	<b>13,696</b>	<b>(677)</b>	<b>(12,197)</b>
<b>Cash flows from financing activities</b>				
Repayment of finance lease obligations	(43)	(11)	(75)	(22)
Withdrawn of secured credit facility	5,682	-	5,682	-
<b>Net cash generated from / (used in) financing activities</b>	<b>5,639</b>	<b>(11)</b>	<b>5,607</b>	<b>(22)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(338)</b>	<b>(946)</b>	<b>(6,671)</b>	<b>(25,911)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>7,925</b>	<b>40,978</b>	<b>14,258</b>	<b>65,943</b>
<b>Cash and cash equivalents at end of the period</b>	<b>7,587</b>	<b>40,032</b>	<b>7,587</b>	<b>40,032</b>
<b>An analysis of cash and cash equivalents as follows :</b>				
<b>Cash at bank and in hand</b>	<b>7,587</b>	<b>40,032</b>	<b>7,587</b>	<b>40,032</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

<i>The Group</i>	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share-Based Capital Reserve	PRC Statutory Reserve	Re-Valuation Reserve	Reserve for Shares to be Issued	Other Reserves	Non-Controlling Interest	Retained Earnings / (Accum. Losses)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2010</b>	102,261	108,612	24,980	12,544	5,863	98	14,720	(19,027)	3,520	(53,262)	200,309
Issuance of 53,333,334 new ordinary shares	10,667	4,053	-	-	-	-	(14,720)	-	-	-	-
Net loss for the quarter from 1.1.2010 to 31.3.2010	-	-	-	-	-	-	-	-	-	(7,635)	(7,635)
<b>At 31 March 2010</b>	112,928	112,665	24,980	12,544	5,863	98	-	(19,027)	3,520	(60,897)	192,674
Net loss for the quarter from 1.4.2010 to 30.6.2010	-	-	-	-	-	-	-	-	-	(33,131)	(33,131)
<b>At 30 June 2010</b>	112,928	112,665	24,980	12,544	5,863	98	-	(19,027)	3,520	(94,028)	159,543

<i>The Group</i>	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share-Based Capital Reserve	PRC Statutory Reserve	Re-Valuation Reserve	Reserve for Shares to be Issued	Other Reserves	Non-Controlling Interest	Retained Earnings / (Accum. Losses)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2009</b>	77,636	110,582	25,066	9,700	5,863	98	-	-	8,278	44,551	281,774
Equity settled share-based payment	-	-	-	2,520	-	-	-	-	-	-	2,520
Net loss for the quarter from 1.1.2009 to 31.3.2009	-	-	-	-	-	-	-	-	-	(3,343)	(3,343)
Elimination of non-controlling interests	-	-	-	-	-	-	-	-	(8,278)	-	(8,278)
<b>At 31 March 2009</b>	77,636	110,582	25,066	12,220	5,863	98	-	-	-	41,208	272,673
Issue of 123,125,000 new ordinary shares	24,625	-	-	-	-	-	-	-	-	-	24,625
New shares issue expenses	-	(1,970)	-	-	-	-	-	-	-	-	(1,970)
Equity settled share-based payment	-	-	-	324	-	-	-	-	-	-	324
Share of capital in subsidiary	-	-	-	-	-	-	-	-	-	-	-
Net loss for the quarter from 1.4.2009 to 30.6.2009	-	-	-	-	-	-	-	-	-	(5,298)	(5,298)
<b>At 30 June 2009</b>	102,261	108,612	25,066	12,544	5,863	98	-	-	-	35,910	290,354

<i>The Company</i>	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share-Based Capital Reserve	PRC Statutory Reserve	Re-Valuation Reserve	Reserve for Shares to be Issued	Other Reserves		Retained Earnings / (Accum. Losses)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
<b>At 1 January 2010</b>	102,261	108,612	-	12,544	-	-	14,720	-		(41,348)	196,789
Issuance of 53,333,334 new ordinary shares	10,667	4,053	-	-	-	-	(14,720)	-		-	-
Net loss for the quarter from 1.1.2010 to 31.3.2010	-	-	-	-	-	-	-	-		(4,419)	(4,419)
<b>At 31 March 2010</b>	112,928	112,665	-	12,544	-	-	-	-		(45,767)	192,370
Net loss for the quarter from 1.4.2010 to 30.6.2010	-	-	-	-	-	-	-	-		(33,283)	(33,283)
<b>At 30 June 2010</b>	112,928	112,665	-	12,544	-	-	-	-		(79,050)	159,087

<i>The Company</i>	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share-Based Capital Reserve	PRC Statutory Reserve	Re-Valuation Reserve	Reserve for Shares to be Issued	Other Reserves		Retained Earnings / (Accum. Losses)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
<b>At 1 January 2009</b>	77,636	110,582	-	9,700	-	-	-	-		(65)	197,853
Equity settled share-based payment	-	-	-	2,520	-	-	-	-		-	2,520
Net loss for the quarter from 1.1.2009 to 31.3.2009	-	-	-	-	-	-	-	-		(711)	(711)
<b>At 31 March 2009</b>	77,636	110,582	-	12,220	-	-	-	-		(776)	199,662
Issue of 123,125,000 new ordinary shares	24,625	-	-	-	-	-	-	-		-	24,625
New shares issue expenses	-	(1,970)	-	-	-	-	-	-		-	(1,970)
Equity settled share-based payment	-	-	-	324	-	-	-	-		-	324
Net loss for the quarter from 1.4.2009 to 30.6.2009	-	-	-	-	-	-	-	-		(638)	(638)
<b>At 30 June 2009</b>	102,261	108,612	-	12,544	-	-	-	-		(1,414)	222,003

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company's wholly owned subsidiary Armarda Holdings Ltd entered into a sales and purchase agreement on 22 December 2009 to acquire 75% equity interest in China RFID Ltd with total consideration amounting to HK\$75 million, in combination of cash consideration of HK\$59 million and HK\$16 million fully paid-up ordinary shares in the capital of the Company, representing 53,333,334 shares at HK\$0.30 each. As the consideration shares had been allotted on 6 January 2010 and quoted on SGX on 7 January 2010, the fair value of the issuance of the consideration shares has been recorded in the financial statements at approximately HK\$14.7 million.

The total number of shares that may be issued on conversion of all the outstanding convertibles as at 30 June 2010 was 23,700,000 (31 December 2009 : 23,700,000).

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 June 2010 was 564,640,474 (31 December 2009 : 511,307,140).

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation, and/or use of treasury shares as at the end of the current financial period reported on.**

For financial period ended 30 June 2010, the Company does not have any sales, transfers, disposals, cancellation, and/or use of treasury shares.

There are no treasury shares as at 30 June 2010.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited nor reviewed by the Group's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including an qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2009.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted the new/revised IAS, IFRS and Interpretations of IFRS that are effective for financial year beginning on or after 1 January 2010. The adoption of the relevant IAS, IFRS and Interpretations of IFRS does not result in any substantial change to the Group's accounting policies or any significant impact on the financial statements for the half year ended 30 June 2010.



**6. (Loss) / earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

**The Group**

(Loss) / earnings per ordinary share for the year after deducting any provision for preference dividends:				
	<b>3 Months Ended 30.6.2010</b>	<b>3 Months Ended 30.6.2009</b>	<b>6 Months Ended 30.6.2010</b>	<b>6 Months Ended 30.6.2009</b>
Based on weighted average number of Ordinary shares in Issue (Please see note below)	<b>(5.87) HK cents</b>	<b>(1.22) HK cents</b>	<b>(7.24) HK cents</b>	<b>(2.10) HK cents</b>
On a fully diluted basis (Please See note below)	<b>Not applicable</b>	<b>Not applicable</b>	<b>Not applicable</b>	<b>Not applicable</b>

**Note 6a : Basic (loss) / earnings per share**

The calculation of basic loss per share is based on the Group's loss attributable to ordinary shareholders of HK\$33,131,000 and HK\$40,766,000 for the three months and six months ended 30 June 2010 respectively (FY2009 : loss of HK\$5,298,000 for the first three months ended and HK\$8,641,000 for the first six months ended) and the weighted average number of ordinary shares of 564,640,000 and 562,873,000 for the three months and six months ended 30 June 2010 respectively (FY2009 : 432,832,000 for the 3 months ended and 410,630,000 for the 6 months ended) in issue during the year.

**Note 6b : Diluted earnings per share**

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

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year**

	<b>At 30.6.2010</b>	<b>At 31.12.2009</b>
Net asset value of the Company per ordinary share based on existing issue share capital	<b>HK\$ 0.28 per share</b>	<b>HK\$ 0.38 per share</b>
Net asset value of the Group per ordinary share based on existing issue share capital	<b>HK\$ 0.28 per share</b>	<b>HK\$ 0.39 per share</b>

The calculation of net asset value per share of the Company as at 30 June 2010 is based on the Company's net asset value of HK\$159,087,000 (31 December 2009 : HK\$196,789,000) and 564,640,474 ordinary shares in issue as at 30 June 2010 (511,307,140 ordinary shares in issue as at 31 December 2009).

The calculation of net asset value per share of the Group as at 30 June 2010 is based on the Group's net asset value of HK\$159,543,000 (31 December 2009 : HK\$200,309,000) and 564,640,474 ordinary shares in issue as at 30 June 2010 (511,307,140 ordinary shares in issue as at 31 December 2009).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

### **Revenue**

The Group's revenue generated in the second quarter of FY2010 decreased by approximately HK\$6.3 million to approximately HK\$4.1 million from approximately HK\$10.4 million in the second quarter of FY2009, and decreased by approximately HK\$8.6 million to approximately HK\$10.9 million in the first six months of FY2010 from approximately HK\$19.5 million in the first six months of FY2009. The decline of revenue was the result of the financial turmoil which slowed down the IT spending of the PRC banks and financial institutions including, but not limited to, significant decrease in the procurement of software products as well as the keen competition in the industry.

The following is a breakdown of the total IT revenue generated for the second quarter and the first six months of FY2010 and FY2009 respectively :

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30.6.2010</b>	<b>30.6.2009</b>	<b>30.6.2010</b>	<b>30.6.2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from provision of IT services	997	4,007	4,241	9,500
Revenue from trading of IT equipment	3,082	6,371	6,682	9,992
	<b>4,079</b>	<b>10,378</b>	<b>10,923</b>	<b>19,492</b>

### **Cost of goods sold**

Cost of goods sold decreased by approximately HK\$2.4 million from approximately HK\$5.1 million in the second quarter of FY2009 to approximately HK\$2.7 million in the second quarter of FY2010, and decreased by approximately HK\$1.9 million from approximately HK\$7.7million in the first six months of FY2009 to approximately HK\$5.8million in the six months of FY2010. It was primarily due to the decrease of corresponding IT equipment sales.

### **Other income**

This comprises mainly of the deposit interest income earned to the amount of approximately HK\$2 thousand in the second quarter of FY2010 as compared to approximately HK\$0.2 million earned in the second quarter of FY2009. Interest income of approximately HK\$4 thousand in the first six months of FY2010 while compared to approximately HK\$0.5 million earned in the first six months of FY2009. The decrease of approximately HK\$0.2 million and HK\$0.5 million in the second quarter and the six months ended respectively was due to the decrease in the average amount of cash held by the Group.

### **Operating expenses**

The Group's total operating expenses (including staff costs, depreciation and other expenses but excluding cost of goods sold and amortisation / impairment of intangible assets) decreased by approximately HK\$3.4 million to approximately HK\$5.9 million in the second quarter of FY2010 from approximately HK\$9.3 million in the second quarter of FY2009. For the six months ended, it decreased by approximately HK\$5.5 million from approximately HK\$18.9 million in FY2009 to approximately HK\$13.4 million in FY2010.

The following is a breakdown of the staff costs for the second quarter and six months of FY2010 and FY2009 respectively :

	Three Months Ended		Six Months Ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff salary, remuneration and other benefits	2,184	3,123	4,699	5,713
Equity settled share-based payment	-	324	-	2,844
	<b>2,184</b>	<b>3,447</b>	<b>4,699</b>	<b>8,557</b>

On 12 April 2004, the Group established a share option scheme (the "Share Option Scheme") that entitles key management personnel and senior employees to purchase shares in the Company. As at 2 November 2007, 29 eligible participants accepted the offer of a total number of 25,000,000 options granted by the Company. Pursuant to the rules of the Share Option Scheme, options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, redundancy, ill-health or retirement.

The fair value of services received in return for share options granted is based on the fair value of share options granted measured using a binomial model by professional valuer. The fair value of options at grant date has been computed as approximately S\$0.0988 per share while the share price and option exercise price at grant date were S\$0.210 and S\$0.213 respectively.

The number of share options are as follows :

	FY2010	FY2009
	No. of options	No. of options
Outstanding at 1 January	23,700,000	23,700,000
Granted during the period	-	-
Lapsed during the period	-	-
Exercised during the period	-	-
<b>Outstanding at 30 June</b>	<b>23,700,000</b>	<b>23,700,000</b>
<b>Exercisable at 30 June</b>	<b>23,700,000</b>	<b>23,700,000</b>

No staff cost arising from this grant of share option was provided in the second quarter of FY2010 since the total staff cost arising from this grant of share option was fully provided in FY2009 for a period of 2-year commencing November 2007 (second quarter of FY2009 : approximately HK\$0.3 million).

Depreciation charges decreased by approximately HK\$0.3 million to approximately HK\$0.6 million in the second quarter of FY2010 from approximately HK\$0.9 million in the second quarter of FY2009, and decreased by approximately HK\$0.7 million to approximately HK\$1.2 million in the first six months of FY2010 from approximately HK\$1.9 million in the first six months of FY2009. The Group did not make any material purchases, nor disposals, of property, plant and equipment during the period, besides, certain amount of depreciation of fixed assets were fully provided in FY2009.

Amortisation of intangible assets comprises of that in relation to customer relationship of approximately HK\$1 million and lease agreement of approximately HK\$2.1 million respectively in the second quarter of FY2010. Amortisation of intangible assets in the second quarter of FY2009 comprises of customer relationship resulting from business combination only of approximately HK\$1.6 million.

Amortisation of intangible assets comprises of that in relation to customer relationship of approximately HK\$2 million and lease agreement of approximately HK\$4.3 million respectively in the first six months of FY2010. Amortisation of intangible assets in the first six months of FY2009 comprises of customer relationship resulting from business combination only of approximately HK\$2.6 million.

Amortisation of intangible assets in relation to lease agreement of approximately HK\$2.1 million was provided in each of first and second quarter of FY2010 (each of first and second quarter of FY2009 : nil). The lease agreement represents the exclusive distributorship rights which resulted from the acquisition of the 75% equity interest in China RFID Ltd, and the amortisation of the lease agreement is based on the duration of the exclusive agreement that the ultimate customer of the Group ("**China Vision Intelligent Card Reader Co., Limited**" or "**China Vision**") has with the Public Security Bureau of the People's Republic of China ("**PRC**"), for the project to supply NXP RFID Chips for the electronic passport and electronic travel documents project, for a 2-year period, commencing September 2009. The Company understands that the terms for the other successful bidders for the electronics passports project is similar. Details of which can be referred under the section of intangible assets – lease agreement.

An impairment of goodwill of approximately HK\$25 million was provided in the second quarter of FY2010. Taking into account the continuous worsening impact arising from financial crisis extending to the IT sector in the PRC and the keen competition in the industry which will affect Brilliant Time Limited's (BTL) revenue, contract award and profit margin, the management reassessed BTL's business in respect of its revenue and operating cash flow forecast, with a pre-tax discount rate of 13.6%, resulting in an impairment where the amounts which exceeds will be reflected as a loss from impairment. Considering the major customers retained, it is expected that there would be only a reduction of revenue, hence, no impairment allowance is necessary for customer relationship. The recognition of impairment loss of goodwill is the best estimation of the management in light of current market situation, and it will be subject to revision, in dependent on the opinion and judgment from external professional parties.

The carrying amount of the intangible assets in relation to lease agreement is derived from a 2-year cash flow forecast at a discount rate of approximately 19.76% at the date of acquisition. Management reassessed the condition and assumption made, and concluded that no impairment allowance is necessary.

Other expenses decreased by approximately HK\$1.8 million to approximately HK\$3.1 million in the second quarter of FY2010 from approximately HK\$4.9 million in the second quarter of FY2009, mainly due to the decrease in consultancy and subcontracting fees as a result of the decrease in revenue from IT services. Other expenses decreased by approximately HK\$1 million to approximately HK\$7.5 million in the first six months of FY2010 from approximately HK\$8.5 million in the first six months of FY2009, mainly attributed by the decrease in consultancy and subcontracting fees offset by the increase in business travelling and professional expenses.

### **Net loss after taxation**

The Group's net loss after taxation attributable to shareholders of the Group in the second quarter of FY2010 of approximately HK\$33.1 million was mainly attributable by (i) the decrease in total IT revenue of approximately HK\$6.3 million, (ii) the increase in amortisation costs of intangible assets of approximately HK\$1.6 million; and (iii) the impairment of goodwill of BTL of approximately HK\$25 million, offset by (i) the decrease in other expenses of approximately HK\$1.8 million; and (ii) the decrease in staff cost arising from fully provided share option cost of approximately HK\$1.2 million.

The Group's net loss after taxation attributable to shareholders of the Group in the first six months of FY2010 of approximately HK\$40.8 million was mainly attributable by (i) the decrease in total IT revenue of approximately HK\$8.6 million, (ii) the increase in amortisation costs of intangible assets of approximately HK\$3.7 million; and (iii) the impairment of goodwill of BTL of approximately HK\$25 million, offset by (i) the decrease in other expenses of approximately HK\$0.9 million and (ii) the decrease in staff cost arising from fully provided share option cost of approximately HK\$3.9 million.

## **Income tax**

The Group's profits derived from Hong Kong are subject to Hong Kong profits tax at 16.5% (FY2009: 16.5%). No provision for Hong Kong profits tax is made, as there is no assessable profits for Hong Kong profits tax for the second quarter of FY2010.

As a foreign invested enterprise with a paid-up capital of over US\$5 million and engaging in the provision of high technology business services in the Zhuhai Special Economic Zone, the Group's operating subsidiary in the PRC, Armarda Technology (Zhuhai) Limited ("ATZH") was fully exempted from PRC income tax for the first two profitable years in FY2004 and FY2005 and it would be entitled to 50% exemption from the applicable standard income tax rate for the another three years in FY2006, FY2007 and FY2008 provided that its production-oriented revenue exceeded 50% of its total revenue in each year (the "50% Criteria").

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 ex-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. The 50% exemption of Armarda Zhuhai is grandfathered under the new tax law.

As the 50% Criteria was not met in 2008, Armarda Zhuhai was subject to PRC income tax rate at 18% for 2008. The 50% Criteria was expired in 2009 and Armarda Zhuhai was subject to PRC income tax at 20% for 2009.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors from a PRC entity effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. Since Armarda Zhuhai is wholly owned by Armarda Technology (Hong Kong) Limited, a Hong Kong registered company, the applicable withholding tax rate will be 5%. On 22 February 2008, Caishui (2008) No.1 was promulgated by the tax authorities specifying that dividends from the retained earnings as at 31 December 2007 are exempted from the withholding tax. No provision for PRC profits tax was made, as there was no assessable profits arising from PRC entities in the second quarter of FY2010 (second quarter of FY2009 : nil).

No Singapore income tax is payable in respect of the Group's operations in Singapore, as such operations sustained losses for income tax purposes in the second quarter of FY2010 (second quarter of FY2009 : nil).

## **Interest in an associate**

As at 30 June 2010, this is comprised of an investments of the Group, the 45% shareholding interests in Fesco E-HR Service (Beijing) Co., Ltd. as follows :

The Group entered into a joint venture agreement with the Fesco Group to subscribe for 90% of the newly issued share capital to the amount of RMB20 million of Fesco E-HR Service (Beijing) Co., Ltd. (Fesco E-HR) at a total capital contribution amount of RMB18 million with effect from 1 April 2007. The post share-increase shareholding of the Group in Fesco E-HR is 45%. The whole capital contribution to Fesco E-HR was completed in FY2008. As at 30 June 2010, Fesco E-HR remains as an associate of the Group.

The 45% share of loss from Fesco E-HR amounting to approximately HK\$0.5 million and HK\$1.1 million in the second quarter and first six months of FY2010 respectively, which represents the Group's total share of the net loss after tax of this associate, whereas, a share of profit reported of approximately HK\$0.2 million and HK\$0.7 million in the second quarter and first six months of FY2009 respectively, which has been equity accounted for in the Group's for the period ended 30 June 2010.

## **Property, plant and equipment**

The total net book value of the Group's property, plant and equipment of approximately HK\$6.9 million as at 30 June 2010 is mainly comprised of leasehold properties of approximately HK\$6.2 million, furniture, fixtures, computer and other equipment of approximately HK\$0.2 million, and motor vehicles of approximately HK\$0.5 million.

## **Intangible assets**

	<b>30.06.2010</b>	<b>31.12.2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Intangible assets - customer relationship	30,643	32,687
Intangible assets - goodwill	27,036	52,036
Intangible assets - lease agreement	9,858	14,082
	<b><u>67,537</u></b>	<b><u>98,805</u></b>

## **Intangible assets – customer relationship and goodwill**

The intangible assets of approximately HK\$57.6 million as at 30 June 2010 is arisen from the acquisition of BTL.

Pursuant to an announcement made on 6 February 2006 and a subsequent shareholders' resolution passed on the 22 April 2006 at the Company's annual general meeting held in Singapore, the Company had completed the acquisition of 250 shares from Mr. Lee Man Lung, Vincent (the "Vendor"), representing 25% of the total issued capital of Brilliant Time Limited (BTL) on 18 June 2006. BTL was considered an associate of the Group and the share of its profit after tax had been equity accounted for since 18 June 2006.

Subsequently on 21 November 2007, one of our subsidiaries, Armarda Holdings Limited, entered into a sale and purchase agreement with the Vendor, to acquire from the Vendor an additional 55% equity interests in BTL for a net consideration of HK\$72.9 million ("Proposed Acquisition").

The above transaction was subsequently approved by the shareholders of the Company in a special general meeting held on 19 January 2008 in Singapore. Upon completion of the transaction, BTL had become an 80% owned subsidiary of the Group and full consolidation of BTL's financial statements into the Group's financial statements was commenced from the first quarter of FY2008. Accordingly, with effect from 19 January 2008, BTL no longer exists as an associate of the Group.

Subsequently on 23 December 2008, one of our subsidiaries, Armarda Holdings Limited, entered into a sale and purchase agreement with the Vendor, to acquire from the Vendor the remaining 20% equity interests in BTL for a net consideration of HK\$27.2 million. The transaction was completed on 8 January 2009 and BTL had become an 100% owned subsidiary of the Group and 100% full consolidation of BTL's financial statements into the Group's financial statements was commenced from the first quarter of FY2009. Since the Group early adopted IFRS3 Business Combinations (2008) and IAS27 Consolidated and Separate Financial Statements (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009, acquisitions of non-controlling interests (20% of BTL) was accounted for as transactions with equity holders and therefore no goodwill nor intangible assets was recognised. The carrying amount of BTL's net assets in the consolidated financial statements on the date of acquisition was approximately HK\$40.9 million. The Group recognised a decrease in non-controlling interest of approximately HK\$8.2 million and the excess of the consideration over the carrying amount of the interest in the net assets acquired was recognised directly in equity as other reserves of approximately HK\$19 million in FY2009. Considering the slow down of IT spending in PRC market, the management conducted an impairment review in FY2009 by comparing the recoverable amount and the carrying amount, as a result, HK\$9 million impairment loss was provided in FY2009.

During the second quarter of FY2010, the management conducted an impairment review to evaluate the recoverable amount of BTL as a result of the continuous decline in IT related revenue. By projecting a 5-year operating cash flow forecast, with a pre-tax discount rate of 13.6%, an impairment of goodwill of approximately HK\$25 million was provided. Considering the major customers retained, it is expected that there would be only a reduction of revenue, hence, no impairment allowance is necessary for customer relationship, it will rather expense through a straight-line basis amortisation over 10 years. The Group recognised an amortisation expenses of approximately HK\$1 million in each of first and second quarter of FY2010.

### **Intangible assets – lease agreement**

The intangible assets of approximately HK\$9.9 million as at 30 June 2010 is arisen from the acquisition of China RFID Ltd.

Armarda Holdings Ltd (being a wholly owned subsidiary of the Company) entered into a sales and purchase agreement with 3 individual vendors to acquire 75% equity interest in China RFID Ltd (“CRL”) on 22 December 2009 for an aggregate consideration which comprises cash of HK\$59 million and the issuance of 53,333,334 fully paid-up ordinary shares of the Company. In accordance with the relevant accounting principles, a fair value of approximately HK\$73.7 million for the 75% equity interest in CRL (based on the prices for the ordinary shares of the Company as at the date of acquisition of S\$0.05 each) the Company’s interest in CRL will be recorded with 100% equity interest of CRL or approximately HK\$98.3 million being recorded as an intangible assets of lease agreement with 25% of the interest in CRL being recorded as under non-controlling interest.

As part of its deliberations for the acquisition, the management had assessed the acquisition and determined the values for the lease agreement on the basis of a 10-year cash flow forecast at a discount rate of approximately 19.76% at the date of acquisition. Although the management is confident, barring unforeseen circumstances, that the 2-year agreement that the ultimate customer (through a series of exclusive distributorship agreements signed by various companies) has with the Public Security Bureau will be renewed to a longer period upon expiry of the initial two years, the Company, for reason of uncertainties in renewal, except for the 2-year commencing from September 2009 notwithstanding the fact that China Vision has the first right to renew the contract with Public Security Bureau after the 2-year period, subject to terms and conditions.

The management has reassessed the lease agreement for a 2-year period due to the reason of uncertainties in renewal of the contract that the ultimate customer has with the Public Security Bureau, an impairment loss of approximately HK\$81.4 million was provided in FY2009. As such, the gross amount of the lease agreement of approximately HK\$16.9 million was amortised over the 2-year period commencing September 2009 and the Group recognised an amortisation expenses of approximately HK\$2.1 million in each of first and second quarter of FY2010.

The amounts recorded under lease agreement as the intangible assets of approximately HK\$9.9 million, represents the balance as at 30 June 2010 of unamortised present values of the cashflow projections for the 2-year period, arising from the acquisition of CRL, and such rights represent the various trading arrangements for NXP RFID chips.

### **Other investments**

Carrying amount of approximately HK\$5.7 million as at 30 June 2010 (31 December 2009 : approximately HK\$5.1 million) represents the Group’s authorisation to use a software system for 5 years, which is the estimated useful life of the system and the working capital advancement made to a third party, amounting to approximately HK\$2.6 million and approximately HK\$3.1 million respectively during FY2009 and FY2010, is classified as non-interest bearing available-for-sale financial assets under IAS32 Financial Instruments : Presentation and IAS39 Financial Instruments : Recognition and Measurement in return, a 25% sharing of the revenue of the third party for a period from 1 April 2010 to 31 March 2015. Since the fair value determined by discounting the cashflow of the forecasted revenue for the 5-year period, using the pre-tax discount rate of 13.6% approximates the carrying amount of the available-for-sale financial assets, there is no fair value adjustment recognised as at 30 June 2010.

### Other assets

Other assets remain closely the same of approximately HK\$0.9 million as at 30 June 2010 and 31 December 2009, which is comprised of the costs of transferable life membership of golf club.

### Trade and other receivables

The following is a breakdown of the total trade and other receivables of the Group as at 30 June 2010 and 31 December 2009 :

	30.06.2010 HK\$'000	31.12.2009 HK\$'000
Trade receivables	15,170	17,664
Goodwill deposit	22,678	22,678
Other prepayments and receivables	38,894	37,588
	<u>76,742</u>	<u>77,930</u>

### **Trade receivables**

The Group's trade receivables decreased by approximately HK\$2.5 million to approximately HK\$15.2 million as at 30 June 2010 from approximately HK\$17.7 million as at 31 December 2009, mainly attributed by the decrease in IT revenue generated and collection of debts in the first and second quarters of FY2010. Based on historical default rates, the management believes that no impairment allowance is necessary in respect of trade receivables balance. All the trade and other receivables are expected to be recovered.

### **Goodwill deposit**

#### **Intent for possible equity interest in China Vision Intelligent Card Reader Co., Ltd. ("CVIC")**

One of the subsidiaries of the Company, Armarda Technology (Zhuhai) Limited ("ATZH"), had as a demonstration of goodwill on 28 November 2008, entered into a non-binding conditional letter of intent ("**Letter**"), to further its preliminary discussions and review on the possible acquisition of an interest of around 25% to 30% equity interest in CVIC for a possible consideration of approximately RMB37.5 million to approximately RMB45.0 million. CVIC, a PRC company is involved in the business of providing card readers and solutions for the PRC Government and its products have been used for applications involving, *inter alia*, security passes and identification cards and passports (biometric).

As a demonstration of goodwill and ability, and as a pre-condition for the release of relevant information for review and negotiations for the terms (if any) for a subsequent transaction, ATZH had subsequently made, pursuant to the Letter, a refundable goodwill deposit of approximately HK\$22.7 million (equivalent of RMB20.0 million). The deposit is refundable at the management's sole discretion.

A conditional sales and purchase agreement will be executed, subject to the outcome of the management review and due diligence as well as satisfactory terms and conditions and the Directors' approval. The Letter is subject, *inter alia*, to:

- a. satisfactory completion of a preliminary round of review, and due diligence, of CVIC and its business; and
- b. satisfactory completion and agreement of all parties with respect to the terms and conditions for any subsequent transaction.

The sale and purchase agreement, if any, in the event that it is executed will be subject, *inter alia* to the completion of legal and financial due diligence as well as the approvals of the relevant governmental authority (where applicable). As at the date of this result announcement, ATZH is still working on a final sale and purchase agreement on the potential acquisition.



## Other prepayments and receivables

The following is a breakdown of other prepayments and receivables of the Group as at 30 June 2010 and 31 December 2009 :

	30.06.2010 HK\$'000	31.12.2009 HK\$'000
Working capital advance to Xintian eAccess Group	9,834	9,157
Short term advances	10,221	10,221
Other receivables	18,839	18,210
	<u>38,894</u>	<u>37,588</u>

## Subscription of 46% equity interest in Xintian eAccess Limited and its subsidiary ("Xintian eAccess Group") and short term advances

On 16 January 2009, one of the subsidiaries of the Group, Armarda eAccess Technology Limited ("Armarda eAccess"), Breakout Visions Inc. and Qian Kang, the founder of Xintian eAccess Limited (collectively the "**Subscribers**"), entered into a conditional subscription agreement ("**Subscription Agreement**"), to subscribe ("**Proposed Subscription**") for such number of new ordinary shares in the capital of Xintian eAccess Limited ("**Xintian eAccess**") and its wholly owned subsidiary, Yi Wei Advertising Company Limited ("**YWACL**") (Collectively known as "**Xintian eAccess Group**"). Xintian eAccess is a HK\$1.00 company incorporated in British Virgin Islands and is engaging in the media industry

The subscription amount payable by Armarda eAccess is approximately HK\$4.6 million in cash which will result in Armarda eAccess having an interest of approximately 46% in the enlarged capital of Xintian eAccess following the completion of the Proposed Subscription. Apart from the subscription of new shares from all the parties for Xintian eAccess, the parties other than Armarda are expected to contribute to the venture, in terms of securing of projects and also contribute to the venture in view of their technical skills.

In addition, Armarda eAccess has committed to extend a working capital loan to Xintian eAccess up to a limit of HK\$10 million, for the working capital requirements of the Xintian eAccess Group. As at 30 June 2010, Armarda eAccess has advanced approximately HK\$9.8 million to the Xintian eAccess Group. The advance would be repaid to Armarda eAccess upon the subscription funds from the Subscribers is fully received by Xintian eAccess. Armarda's portion of the subscription funds is approximately HK\$4.6 million.

There is no net asset value, net tangible asset value and profit attributable to the assets of Xintian eAccess being acquired pursuant to the subscription by Armarda eAccess as it has minimal paid-in capital and is previously dormant.

As at the date of this announcement, the Proposed Subscription has not been completed. Further announcements will be made when the subscription of the new ordinary shares of Xintian eAccess is effected.

## Other receivables

Other receivables remain closely the same of approximately HK\$18 million as at 30 June 2010 and 31 December 2009, which is mainly due to short term project advances to long term business partners in order to assist them in awarding new projects in PRC, from which the Group will be able to generate a significant amount of the IT support services revenue.

### **Cash and cash equivalents**

The following is a breakdown of cash and cash equivalents of the Group as at 30 June 2010 and 31 December 2009 :

	<b>30.06.2010</b> <b>HK\$'000</b>	<b>31.12.2009</b> <b>HK\$'000</b>
Cash at banks and in hand	7,587	14,258
<b>Total cash and cash equivalents</b>	<b>7,587</b>	<b>14,258</b>

Please refer to page 20 on "Cashflows" on the decrease in cash and cash equivalents.

### **Other payables and accruals**

The following is a breakdown of the total other payables and accruals of the Group as at 30 June 2010 and 31 December 2009:

	<b>30.06.2010</b> <b>HK\$'000</b>	<b>31.12.2009</b> <b>HK\$'000</b>
Accrued subcontracting charges	5,074	9,466
Acquisition proceeds payable for China RFID Ltd	10,900	10,900
Other deposits and accruals	4,838	5,680
	<b>20,812</b>	<b>26,046</b>

Accrued subcontracting charges represents outstanding support charges due to independent subcontractors for services rendered to the Group's customers in the PRC. It decreased by approximately HK\$4.4 million from approximately HK\$9.5 million as at 31 December 2009 to approximately HK\$5.1 million as at 30 June 2010. The decrease of payable is mainly attributed by corresponding decrease in IT service revenue in the first and second quarters of FY2010 as well as the repayment of certain amount of subcontracting charges during the period.

The acquisition proceeds payable for China RFID Ltd amounts to HK\$10.9 million, representing the balance of the HK\$59 million cash consideration payable to the vendors for the 75% equity interest acquired in China RFID Ltd pursuant to the Sales & Purchase Agreement dated 22 December 2009.

### **Obligations under finance lease**

The Group purchased a motor vehicle under a hire purchase arrangement in both FY2009 and in the first quarter of FY2010. As at 30 June 2010, the Group has obligations under a finance lease that are repayable within 1 year of approximately HK\$0.17 million (31 December 2009 of approximately HK\$0.11 million) and repayable after 1 year but within 5 years of approximately HK\$0.39 million (31 December 2009 of approximately HK\$0.23 million).

### **Short term loan**

The Group acquired a secured credit facility from a PRC bank with a limit of approximately HK\$5.7 million (equivalent to RMB5 million) by pledging its leasehold property in PRC as collateral. The loan agreement will expire on 25 December 2010. The Group reported a short term loan as at 30 June 2010 of approximately HK\$5.7 million.

## Reserves

The following is a breakdown of the Reserves of the Group as at 30 June 2010 and 31 December 2009 :

	30.06.2010 HK\$'000	31.12.2009 HK\$'000
Share premium	112,665	108,612
Foreign exchange translation reserve	24,980	24,980
PRC statutory reserve	5,863	5,863
Revaluation reserve	98	98
Employee share-based capital reserve	12,544	12,544
Reserve for shares to be issued	-	14,720
Other reserves	(19,027)	(19,027)
Accumulated loss	(94,028)	(53,262)
	<u>43,095</u>	<u>94,528</u>

- In accordance with the relevant PRC laws applicable to enterprises with foreign investment, Armarda Zhuhai is required to transfer at least 10% of its annual net profit determined under PRC accounting regulations to the PRC statutory reserve. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.
- The foreign exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operation of the Company.
- Revaluation reserve relates to the revaluation to fair value of identifiable assets and liabilities acquired.
- Employee share-based capital reserve relates to the fair value of the share options scheme granted to the directors and employees of the Group as at the grant date, which is charged to income statement according to the vesting period.
- The reserve for shares to be issued relates to the share consideration paid for the lease agreement by issuing 53,333,334 shares as transacted at 22 December 2009, which is the date of acquisition of CRL. The issue of shares was completed on 6 January 2010.
- The other reserves arise from the acquisition of non-controlling interest of BTL during the year. The Group has recognised any premiums or discounts on purchase of equity instruments from non-controlling interest subsequent to the obtaining of control.

## Non-controlling interest

Non-controlling interest of China RFID Ltd of approximately HK\$3.5 million represents the 25% minority interest as at 30 June 2010. The Company's wholly owned subsidiary Armarda Holdings Ltd entered into a sales and purchase agreement on 22 December 2009 to acquire 75% equity interest in China RFID Ltd. The opening balance of the non-controlling interest on the date of acquisition was approximately HK\$24.6 million with a loss contributed in FY2009 of approximately HK\$21.1 million. Same figures are reported as at 30 June 2010 and 31 December 2009 as no profit or loss is contributed in the first and second quarters of FY2010.

## Cashflows

The Group used approximately HK\$6 million in its operating activities in the second quarter of FY2010, as compared to an outflow of approximately HK\$14.6 million in the second quarter of FY2009. This is primarily due to cash used in operating activities before changes in working capital of approximately HK\$3.8 million and the decrease in other payables and accruals of approximately HK\$2 million, which has been offsetted by the increase in trade and other receivables of approximately HK\$18 thousand in the second quarter of FY2010.

The Group has no investing activity in the second quarter of FY2010, as compared to an inflow of approximately HK\$13.7 million in the second quarter of FY2009. This cash inflow in the second quarter of FY2009 mainly consists of approximately HK\$22.7 million proceeds received from issue of new shares net of share issue expenses, approximately HK\$2.4 million paid for fixed assets purchase and payment for development intangible asset, and approximately HK\$6.6 million paid to finance the acquisition of remaining 20% interests in BTL.

The Group generated approximately HK\$5.6 million in its financing activities in the second quarter of FY2010, as compared to an outflow of approximately HK\$0.01 million in the second quarter of FY2009. The cash inflow in the second quarter of FY2010 mainly consists of approximately HK\$5.7 million derived from a loan from PRC bank and approximately HK\$0.04 million for the repayment of finance lease obligation.

As a whole, the Group used approximately HK\$0.3 million and HK\$6.7 million in the second quarter and first six months of FY2010 respectively as compared to approximately HK\$0.9 million and HK\$25.9 million in the second quarter and first six months of FY2009 respectively. The cash and cash equivalents as at 30 June 2010 is HK\$7.6 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The global financial turmoil had shown its continuous impact to the PRC IT industry and the overall market condition remained difficult and deteriorating since the last reporting period. The management expects that such trend will continue for the upcoming periods and we will strive to maintain the Group's business momentum by looking for new business opportunities with growth potentials for the next reporting period.

**11. Dividend**

**If a decision regarding dividend has been made :-**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended)**

None.

**(b)(i) and (b)(ii) Amount of dividend per share of the current reporting financial period and of the previous corresponding period.**

Nil (FY2009 : nil).

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect**

No dividend is declared/recommended in the second quarter ended 30 June 2010

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Not applicable

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable

- 15. A breakdown of sales**

Not applicable

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

**(a) Ordinary**

Nil (FY2009 : Nil)

**(b) Preference**

Nil (FY2009 : Nil)

**(c) Total**

Nil (FY2009 : Nil)

- 17. Negative assurance on interim financial statements pursuant to Rule 705(5)**

We, Joseph Chou Tao-Hsiung and Terence Luk Chung Po, being directors of the Company do hereby confirm on behalf of the Board of Directors that to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim financial statements to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**12 AUGUST 2010**

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

*This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr Liao H.K.  
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