

ARMARDA GROUP LIMITED

(Incorporated in Bermuda on 13 August 2003)
(Registration No.: 34050)

EMPHASIS OF MATTER BY THE AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012 AND UPDATES

Pursuant to Rule 704(4) of the Listing Manual: Section B Rules of Catalist of the Singapore Exchange Securities Trading Limited and the announcement dated 30 May 2012, the Board of Directors (“**Directors**”) of Armarda Group Limited (the “**Company**”) wishes to announce that the Company’s independent auditors (“**Auditors**”), Crowe Horwath First Trust, have issued their report on financial statements of the Company and its subsidiaries (the “**Group**”) for the financial period ended from 1 January 2011 to 31 March 2012 (“**FP2012**”), containing an emphasis of matter relating to the uncertainties surrounding the ability of the Group to achieve profitability and to generate positive operating cash flows in the foreseeable future.

A copy of the Auditors’ report, together with Note 2 and Note 35 to the financial statements is annexed to this announcement as “Appendix A”.

Barring unforeseen circumstances and to the best knowledge of the Directors and based on information that could reasonably be expected to be available, shareholders should note the following:

- (1) During FP2012, Brilliant Time Limited and China RFID Limited has generated revenues of approximately HK\$11.3 million (2010: HK\$10.0 million) and HK\$4.5 million (2010: Nil) respectively and, though less than desired, the two companies contributed positively to profit margins and cashflow.
- (2) In relation to the Proposed Acquisition ⁽¹⁾, the Directors would like to clarify that as announced on the SGX-Net on 21 March 2012, the Company has on 21 March 2012 legally completed the Proposed Acquisition. As stated in the circular dated 5 December 2011, the Parties have agreed that the actual issuance of the Consideration Shares will be deferred until, *inter alia*, the fulfillment of the certain interim milestones relating to the execution and delivery of the PRC Operator Agreement and the Thuraya Supplemental Agreement. As announced on 8 June 2012, the Thuraya Supplemental Agreement has been executed on 5 June 2012. However, the Directors wish to inform that as at the date of this announcement, the execution and delivery of the PRC Operator Agreement has not taken place.

Note: (1) Unless otherwise specified herein or where the context otherwise requires, capitalized terms used in this section shall have the same meaning as used in the circular dated 5 December 2011 and announcements dated 29 March 2011, 29 September 2011, 2 December 2011, 3 January 2012, 28 February 2012, 21 March 2012, 18 May 2012 and 8 June 2012 in relation to the Proposed Acquisition.

The Directors have reviewed the significance of the Emphasis of Matter and are of the opinion that barring unforeseen circumstances and based on the above foregoing and including but not limited to, economic conditions and sentiments (general as well as specific to the Company and its subsidiaries’ operations and industries in which they operate in including margins and known as well as anticipated demands and revenues/cost), information available to them and legal advice provided, the Directors are of the opinion after taking into account its existing financial resources, existing contractual arrangements and its renewal on comparable terms and future plans, that the Company can continue as a going concern.

By Order of the Board of
Armarda Group Limited

Luk Chung Po, Terence
Executive Director

28 June 2012

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 Sponsor has not independently verified the contents of this announcement and matters or information in this announcement, including the correctness or basis of any of the figures used, rationale or 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.
Telephone number: 6221 0271*

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARMARDA GROUP LIMITED



Report on the Financial Statements

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

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ARMARDA GROUP LIMITED

Opinion

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

Emphasis of matter

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

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

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

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

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

Other Matter

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

Crowe Horwath First Trust LLP

Public Accountants and
Certified Public Accountants

28 June 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012
(Amounts in Hong Kong dollars unless otherwise stated)

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

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012
(Amounts in Hong Kong dollars unless otherwise stated)

35. SUBSEQUENT EVENTS

(a) Acquisition of a PRC company

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

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

(b) Issuance of placement shares

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

36. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

(a) Market risk

(i) Foreign exchange risk

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