

ARMARDA GROUP LIMITED

First Quarter Financial Statement And Dividend Announcement

Financial statements on combined results of the Group for the first quarter of Financial Year 2011 (FY2011) ended 31 March 2011. 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 FIRST QUARTER ENDED 31 MARCH 2011
(Expressed in Hong Kong thousand dollars)

	1st Quarter FY2011	1st Quarter FY2010	Change %
Revenue	6,413	6,844	-6%
Other income	179	2	8850%
Staff costs	(2,444)	(2,515)	-3%
Depreciation	(180)	(568)	-68%
Amortisation of intangible assets	(2,298)	(3,134)	-27%
Cost of goods sold	(3,825)	(3,150)	21%
Other expenses	(4,626)	(4,475)	3%
Finance costs	(5)	(26)	-81%
Share of loss of associate	<u>(662)</u>	<u>(613)</u>	8%
Loss before taxation	(7,448)	(7,635)	-2%
Income tax (expense) / credit	<u>35</u>	<u>-</u>	N/A
Loss for the quarter	<u>(7,413)</u>	<u>(7,635)</u>	-3%
Attributable to:			
Equity shareholders of the Company	(6,938)	(7,635)	-9%
Non-controlling interest	<u>(475)</u>	<u>-</u>	N/A
Loss for the quarter	<u>(7,413)</u>	<u>(7,635)</u>	-3%

N/A : Not applicable

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 FIRST QUARTER ENDED 31 MARCH 2011
(Expressed in Hong Kong thousand dollars)

	1st Quarter FY2011	1st Quarter FY2010	Change %
Loss for the quarter	(7,413)	(7,635)	-3%
Other comprehensive (loss) / income			
Exchange differences on translating foreign operations	165	-	N/A
Total comprehensive loss for the quarter	<u>(7,248)</u>	<u>(7,635)</u>	-5%
Total comprehensive loss attributable to			
Equity shareholders of the Company	(6,773)	(7,635)	-11%
Non-controlling interest	(475)	-	N/A
Total comprehensive loss for the quarter	<u>(7,248)</u>	<u>(7,635)</u>	-5%

N/A : Not applicable

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

ARMARDA GROUP LIMITED					
STATEMENT OF FINANCIAL POSITION					
AS AT 31 MARCH 2011					
(Expressed in Hong Kong thousand dollars)					
	The Group		The Company		
	As at	As at	As at	As at	
	31.3.2011	31.12.2010	31.3.2011	31.12.2010	
Non-current assets		-			
Investment in subsidiaries	-	-	-	-	
Interest in an associate	24,591	25,253	-	-	
Property, plant and equipment	7,618	7,798	-	-	
Intangible assets	8,543	10,841	-	-	
Amounts due from subsidiaries	-	-	148,801	131,142	
Other investments	7,427	6,754	-	-	
Other assets	933	933	-	-	
	49,112	51,579	148,801	131,142	
Current assets					
Trade and other receivables	91,816	82,826	282	133	
Cash and cash equivalents	21,624	12,676	4	4	
	113,440	95,502	286	137	
Current liabilities					
Obligations under finance lease	203	203	-	-	
Other payables and accruals	10,606	11,019	1,852	836	
Taxation payable	449	449	-	-	
	11,258	11,671	1,852	836	
Net current assets / (liabilities)	102,182	83,831	(1,566)	(699)	
Non-current liabilities					
Obligations under finance lease	436	487	-	-	
Deferred tax liabilities	3,033	3,072	-	-	
	3,469	3,559	-	-	
Net assets	147,825	131,851	147,235	130,443	
Total equity					
Share capital	53,932	48,232	53,932	48,232	
Reserves	92,960	82,211	93,303	82,211	
Total equity attributable to equity shareholders of the Company	146,892	130,443	147,235	130,443	
Non-controlling interest	933	1,408	-	-	
	147,825	131,851	147,235	130,443	

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

Amount repayable in one year or less, or on demand

	As at 31.3.2011 In HK\$'000		As at 31.12.2010 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Hire Purchase	203	-	203	-

Amount repayable after one year

	As at 31.3.2011 In HK\$'000		As at 31.12.2010 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Hire Purchase	436	-	487	-

Details of any collateral

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

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

ARMARDA GROUP LIMITED			
CONSOLIDATED STATEMENT OF CASH FLOWS			
FOR THE FIRST QUARTER ENDED 31 MARCH 2011			
(Expressed in Hong Kong thousand dollars)			
		1st Quarter FY2011	1st Quarter FY2010
Cash flows from operating activities			
Loss before taxation		(7,448)	(7,635)
Adjustment for :			
Interest income		-	(2)
Share of loss of an associate		662	613
(Gain) / loss on disposal of property, plant and equipment		-	59
Finance costs		5	26
Depreciation		180	568
Amortisation of intangible assets		2,298	3,134
Foreign exchange (gain) / loss		(18)	-
		(4,321)	(3,237)
(Increase) / decrease in trade and other receivables		(9,484)	1,206
Increase / (decrease) in other payables and accruals		(413)	(3,170)
		(14,218)	(5,201)
Interest received		-	2
Interest paid		(5)	(26)
Income taxes paid		-	(399)
Net cash used in operating activities		(14,223)	(5,624)
Cash flows from investing activities			
Addition of property, plant and equipment		-	(52)
Acquisition of other investments		-	(625)
Net cash used in investing activities		-	(677)
Cash flows from financing activities			
Repayment of finance lease obligations		(51)	(32)
Issue of shares, net of issue costs		23,222	-
Net cash generated from / (used in) financing activities		23,171	(32)
Net increase / (decrease) in cash and cash equivalents		8,948	(6,333)
Cash and cash equivalents at beginning of the period		12,676	14,258
Cash and cash equivalents at end of the period		21,624	7,925
An analysis of cash and cash equivalents as follows :			
Cash at bank and in hand		21,624	7,925

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>			Foreign Exchange Translation Reserve	Share- Based Capital Reserve	PRC Statutory Reserve	Re- Valuation Reserve	Reserve for Shares to be Issued	Other Reserves	Contributed Surplus	Non- Controlling Interest	Retained Earnings / (Accum. Losses)	Total Equity
	Share Capital	Share Premium	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	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	-	-	-	-	-	-	-	-	-	(528)	(7,635)	(8,163)
At 31 March 2010	112,928	112,665	24,980	12,544	5,863	98	-	(19,027)	-	2,992	(60,897)	192,146
Exchange difference on translation of financial statements of foreign entities	-	-	3,003	-	-	-	-	-	-	-	-	3,003
Capital reorganisation, reduction of PAR from HK\$0.2 to HK\$0.05 each	(84,696)	-	-	-	-	-	-	-	43,348	-	41,348	-
Issuance of 400,000,000 new ordinary shares	20,000	20,000	-	-	-	-	-	-	-	-	-	40,000
Expenses of new shares issue	-	(1,123)	-	-	-	-	-	-	-	-	-	(1,123)
Net loss for 9 months from 1.4.2010 to 31.12.2010	-	-	-	-	-	-	-	-	-	(1,584)	(100,591)	(102,175)
At 31 December 2010	48,232	131,542	27,983	12,544	5,863	98	-	(19,027)	43,348	1,408	(120,140)	131,851
Exchange difference on translation of financial statements of foreign entities	-	-	165	-	-	-	-	-	-	-	-	165
Issuance of 114,000,000 new ordinary shares	5,700	18,836	-	-	-	-	-	-	-	-	-	24,536
Expenses of new shares issue	-	(1,314)	-	-	-	-	-	-	-	-	-	(1,314)
Net loss for the quarter from 1.1.2011 to 31.3.2011	-	-	-	-	-	-	-	-	-	(475)	(6,938)	(7,413)
At 31 March 2011	53,932	149,064	28,148	12,544	5,863	98	-	(19,027)	43,348	933	(127,078)	147,825

The Company			Foreign	Share-			Reserve				Retained	
	Share	Share	Exchange	Based	PRC	Re-	for Shares				Earnings /	
	Capital	Premium	Translation	Capital	Statutory	Valuation	to be	Other	Contributed		(Accum.	Total
HK\$'000	HK\$'000	Reserve	Reserve	Reserve	Reserve	Issued	Reserves	Surplus		Losses)	Equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
At 1 January 2010	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)
At 31 March 2010	112,928	112,665	-	12,544	-	-	-	-	-		(45,767)	192,370
Capital reorganisation, reduction of PAR from HK\$0.2 to HK\$0.05 each	(84,696)	-	-	-	-	-	-	-	43,348		41,348	-
Issuance of 400,000,000 new ordinary shares	20,000	20,000	-	-	-	-	-	-	-		-	40,000
Expenses of new shares issue	-	(1,123)	-	-	-	-	-	-	-		-	(1,123)
Net loss for 9 months from 1.4.2010 to 31.12.2010	-	-	-	-	-	-	-	-	-		(100,804)	(100,804)
At 31 December 2010	48,232	131,542	-	12,544	-	-	-	-	43,348		(105,223)	130,443
Issuance of 114,000,000 new ordinary shares	5,700	18,836	-	-	-	-	-	-	-		-	24,536
Expenses of new shares issue	-	(1,314)	-	-	-	-	-	-	-		-	(1,314)
Net loss for the quarter from 1.1.2011 to 31.3.2011	-	-	-	-	-	-	-	-	-		(6,430)	(6,430)
At 31 March 2011	53,932	149,064	-	12,544	-	-	-	-	43,348		(111,653)	147,235

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 issued a total number of 114,000,000 new ordinary shares of HK\$0.05 each in the capital at an issue price of S\$0.036 to nine independent investors for a total cash consideration of S\$4,104,000. The placement agreement was signed on 30 December 2010 and the shares were allotted on 27 January 2011.

The total number of shares that may be issued on conversion of all the outstanding convertibles as at 31 March 2011 was 23,300,000 (31 December 2010 : 23,300,000).

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 31 March 2011 was 1,078,640,474 (31 December 2010 : 964,640,474).

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 31 March 2011, the Company does not have any sales, transfers, disposals, cancellation, and/or use of treasury shares.

There are no treasury shares as at 31 March 2011.

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 any 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 2010.

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**

There are various new/revised IAS, IFRS and Interpretations of IFRS that are effective for financial year beginning on or after 1 January 2010, which the Group has not yet adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS9 Financial Instruments, which becomes mandatory for the Groups in preparing its financial statement for the year commencing 1 January 2013, which may cause the change in the classification and measurement of financial assets. There is no planning for the Group to adopt early these new standards and the extent of the impact has not been determined.

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:				
		1st Quarter FY2011		1st Quarter FY2010
Based on weighted average number of Ordinary shares in Issue (Please see note below)		(0.66) HK cents		(1.36) HK cents
On a fully diluted basis (Please See note below)		Not applicable		Not applicable

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\$6,938,000 (first quarter of FY2010 : loss of HK\$7,635,000) and the weighted average number of ordinary shares of 1,045,707,000 (first quarter of FY2010 : 561,678,000) 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

	At 31.3.2011	At 31.12.2010
Net asset value of the Company per ordinary share based on existing issue share capital	HK\$ 0.14 per share	HK\$ 0.14 per share
Net asset value of the Group per ordinary share based on existing issue share capital	HK\$ 0.14 per share	HK\$ 0.14 per share

The calculation of net asset value per share of the Company as at 31 March 2011 is based on the Company's net asset value of HK\$147,235,000 (31 December 2010 : HK\$130,443,000) and 1,078,640,474 ordinary shares in issue as at 31 March 2011 (964,640,474 ordinary shares in issue as at 31 December 2010).

The calculation of net asset value per share of the Group as at 31 March 2011 is based on the Group's net asset value of HK\$147,825,000 (31 December 2010 : HK\$131,851,000) and 1,078,640,474 ordinary shares in issue as at 31 March 2011 (964,640,474 ordinary shares in issue as at 31 December 2010).

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 first quarter of FY2011 decreased by approximately HK\$0.4 million to approximately HK\$6.4 million from approximately HK\$6.8 million generated in the first quarter of FY2010.

The following is a breakdown of the total IT revenue generated in the first quarter of FY2011 and FY2010 respectively :

	1st Quarter FY2011 HK\$'000	1st Quarter FY2010 HK\$'000
Revenue from provision of IT services	1,863	3,244
Revenue from trading of IT equipment	4,550	3,600
	6,413	6,844

Cost of goods sold

Cost of goods sold increased by approximately HK\$0.6 million from approximately HK\$3.2 million in the first quarter of FY2010 to approximately HK\$3.8 million in the first quarter of FY2011 which is mainly attributed by the increase in revenue from trading of IT equipment.

Other income

This represents the Group's authorisation to use a software system and capital advance to Shanghai Yi Wei Advertising Company Limited in return an interest income of approximately HK\$0.18 million in the first quarter of FY2011 using effective interest method by applying an interest rate of 10.6%. The other income of approximately HK\$2 thousand in the first quarter of FY2010 is the deposit interest income earned.

Operating expenses

The Group's total operating expenses (including staff costs, depreciation and other expenses but excluding cost of goods sold, amortisation and impairment) decreased by approximately HK\$0.3 million to approximately HK\$7.3 million in the first quarter of FY2011 from approximately HK\$7.6 million in the first quarter FY2010.

The following is a breakdown of the staff costs of the Group in the first quarter of FY2011 and FY2010 :

	1st Quarter FY2011 HK\$'000	1st Quarter FY2010 HK\$'000
Staff salary, remuneration and other benefits	2,444	2,515
Equity settled share-based payment	-	-
	<u>2,444</u>	<u>2,515</u>

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

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

	FY2011 No. of options	FY2010 No. of options
Outstanding at 1 January	23,300,000	23,700,000
Granted during the period	-	-
Lapsed during the period	-	-
Exercised during the period	-	-
Outstanding at 31 March	<u>23,300,000</u>	<u>23,700,000</u>
Exercisable at 31 March	<u>23,300,000</u>	<u>23,700,000</u>

No staff cost arising from this grant of share option was provided in the year of FY2011 as well as 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.

Depreciation charges decreased by approximately HK\$0.4 million to approximately HK\$0.2 million in the first quarter of FY2011 from approximately HK\$0.6 million in the first quarter of FY2010. 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 FY2010.

Amortisation of intangible assets amounting to approximately HK\$2.3 million comprises of customer relationship and lease agreement of approximately HK\$0.2 million and HK\$2.1 million respectively in the first quarter of FY2011.

Amortisation of intangible assets in relation to customer relationship of approximately HK\$0.2 million and HK\$1 million was provided in the first quarter of FY2011 and FY2010 respectively resulting from business combination. The reduction in amortisation expenses is derived from the reduction of carrying amount of customer relationship which was result in an impairment review during FY2010.

Amortisation of intangible assets in relation to lease agreement of approximately HK\$2.1 million was provided in each of the first quarter of FY2011 and FY2010. The lease agreement represents the exclusive distributorship rights which is derived 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 bidder for the electronics passports project is similar. Details of which can be referred under the section of intangible assets – lease agreement.

Other expenses comprise of all expenses of the Group and its subsidiaries but not limited to office overhead, professional fees and sub-contracting fees, increased by approximately HK\$0.1 million to approximately HK\$4.6 million in the first quarter of FY2011 from approximately HK\$4.5 million in the first quarter of FY2010.

Net loss after taxation

The Group's net loss after taxation attributable to shareholders of the Group in the first quarter of FY2011 of approximately HK\$6.9 million was mainly attributable by (i) the decrease in total IT revenue of approximately HK\$0.4 million; (ii) the decrease in amortisation of intangible assets of approximately HK\$0.8 million; (iii) the increase in cost of goods sold of approximately HK\$0.6 million; (iv) the decrease in depreciation of approximately HK\$0.4 million.

Income tax

The Company was incorporated under the laws of Bermuda and received an undertaking from the Ministry of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1996, which exempts the Company and its shareholders, other than shareholders ordinarily residing in Bermuda, from any Bermuda taxes computed on profit, income or any capital asset gain or appreciation, or any tax in the nature of estate duty or inheritance tax, until the year of 2016.

The Group's profits derived from Hong Kong are subject to Hong Kong profits tax at 16.5% (FY2010: 16.5%). No provision for Hong Kong profits tax is made, as there is no assessable profits for Hong Kong profits tax for the first quarter of FY2011.

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.

Armarda Zhuhai was subject to PRC income tax at 24% and 22% for FY2011 and FY2010 respectively.

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 is 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. There is no deferred withholding tax is recognised for both the first quarter of FY2011 and FY2010.

No Singapore income tax is payable in respect of the Group's operations in Singapore, as such operations sustained losses for income tax purposes for both the first quarter of FY2011 and FY2010.

The Group reported an income tax credit of approximately HK\$35 thousand for the first quarter of FY2011 and no income tax credit or expense was reported for the first quarter of FY2010. This is primarily due to the adjustment on tax effect of non-deductible expenses.

Interest in an associate

As at 31 March 2011, 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 31 March 2011, Fesco E-HR remains as an associate of the Group.

The 45% share of loss from Fesco E-HR amounting to approximately HK\$0.66 million represents the Group's total share of the net loss after tax of this associate in the first quarter of FY2011 (approximately HK\$0.61 million share of loss in the first quarter of FY2010) which has been equity accounted for in the Group's first quarter ended 31 March 2011.

Exchange differences on translating foreign operations

The Group reported an exchange gain on translating foreign operations as at 31 March 2011 of approximately HK\$0.17 million which is derived from the appreciation of RMB during the translation of operations in PRC which is denominated in RMB.

Property, plant and equipment

The total net book value of the Group's property, plant and equipment of approximately HK\$7.6 million as at 31 March 2011 is mainly comprised of leasehold properties of approximately HK\$6.6 million, furniture, fixtures, computer and other equipment of approximately HK\$0.3 million, and motor vehicles of approximately HK\$0.7 million.

Intangible assets

	31.3.2011 HK\$'000	31.12.2010 HK\$'000
Intangible assets - customer relationship	5,022	5,208
Intangible assets - lease agreement	3,521	5,633
	<u>8,543</u>	<u>10,841</u>

Intangible assets – customer relationship and goodwill

The intangible assets of approximately HK\$5.0 million as at 31 March 2011 (As at 31 December 2009: HK\$5.2 million) is arisen from the acquisition of BTL. The difference in the carrying amount is the amortisation expenses provided in the first quarter of FY2011.

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 sales 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 sales 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. 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.

Due to the continuous decline of the sales and loss of some major customers which will affect BTL's revenue, contract award and profit margin, the management seeking advice from professional parties and reassessed its revenue, operating cash flow forecast and customer retention rate under a prudent approach, with an after-tax discount rate of 18.34%, resulting in an impairment where the amounts which exceeds will be reflected as a loss from impairment. As such, an impairment of goodwill and customer relationship of approximately HK\$52.0 million and HK\$25.1 million respectively were provided in FY2010.

Intangible assets – lease agreement

The intangible assets of approximately HK\$3.5 million as at 31 March 2011 (As at 31 December 2010: HK\$5.6 million) 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 23.6% 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 the first quarter of FY2011 and FY2010.

The amounts recorded under lease agreement as the intangible assets of approximately HK\$3.5 million, represents the balance as at 31 March 2011 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\$5.1 million as at 31 December 2009 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\$2.5 million 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% share of the advertising revenue net with business tax from the YWACL (details of which can be referred under other receivables) for a period from 1 April 2010 to 31 March 2015. During the year of 2010, the share of revenue amounting to approximately HK\$0.5 million which was credited in other investment based on its value in use under amortised cost method of IAS32 Financial Instruments.

A carrying amount of other investment was reported of approximately HK\$5.7 million as at 30 September 2010 was reinstated to the amount reported as at 31 December 2009 of approximately HK\$5.1 million due to the reversal of the overaccrued expenses for the software system.

During the year of 2010, approximately HK\$7.7 million was transferred from other receivables to other investment as capital advance and in return the share of advertising revenue increase from 25% to 28% for a period of 15 years commencing 1 January 2011. An exchange gain was reported of approximately HK\$0.1 million was caused by the currency of share of advertising revenue denominated in RMB. An interest income amounting to approximately HK\$0.5 million was recognised using effective interest method by applying an interest rate of 10.6% as other income.

Notwithstanding that a 28% revenue will be shared commencing from 1 January 2011 for 15 years, taking into account the recoverability of the investment, the management conduct a reassessment exercise in respect of its revenue forecast and cash flow under a prudent approach, with a pre-tax discount rate of 16%, resulting in an impairment amounting to HK\$6.1 million where the amounts which exceeds will be reflected as a loss from impairment. The carrying amount of the available-for-sale financial assets amounting to approximately HK\$7.4 million and HK\$6.8 million as at 31 March 2011 and 31 December 2010 respectively. The increase of approximately HK\$0.18 million and HK\$0.49 million are the interest income reported using effective interest method by applying an interest rate of 10.6% for the first quarter of FY2011 and transfer from other receivable that the interest income recognised in FY2010 respectively. The management decided this is the best arrangement of recovering a certain amount of working capital advance that previously made.

Other assets

Other assets remain closely the same of approximately HK\$0.9 million as at 31 March 2011 and 31 December 2010, which is comprised of the costs of transferable life membership of golf club.

Trade and other

The following is a breakdown of the total trade and other receivables of the Group as at 31 March 2011 and 31 December 2010 :

	31.3.2011 HK\$'000	31.12.2010 HK\$'000
Trade receivables	10,839	14,848
Goodwill deposit	-	23,505
Refundable acquisition deposit	12,500	12,500
Other prepayments and receivables	68,477	31,973
	<u>91,816</u>	<u>82,826</u>

Trade receivables

The Group's trade receivables decreased by approximately HK\$4.0 million to approximately HK\$10.8 million as at 31 March 2011 from approximately HK\$14.8 million as at 31 December 2010, mainly attributed to the decrease in IT revenue generated and collection of debts in the first quarter of FY2011. 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.

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\$23.5 million (equivalent of RMB20.0 million) as at 31 December 2010. The deposit is refundable at the management's sole discretion.

Considering the change of the shareholding and issued capital structure of the target company CVIC, which may require further investment in CVIC in order to prevent from a dilution of interest, ATZH has entered into an agreement with the potential vendor on 18 January 2011, for the termination of the proposed acquisition. The goodwill deposit has been refunded to ATZH's bank account before the quarter ended 31 March 2011.

Refundable acquisition deposit

The Group's wholly owned subsidiary Armarda Holdings Ltd (“AHL”) entered into a sales and purchase agreement on 13 December 2010 to acquire the remaining 25% equity interest in China RFID Ltd with total consideration amounting to HK\$25 million, in combination of cash consideration of HK\$17.5 million and HK\$7.5 million fully paid-up ordinary shares in the capital of the Company, representing 50,000,000 shares at HK\$0.15 each. As a demonstration of goodwill and intention and as part of the requirements for all potential acquirers, the Group provides a HK\$12.5 million refundable acquisition deposit for the potential acquisition during the year of FY2010. The Vendor has pledged the Sale Shares to the Group as security. Completion shall take place upon the shareholder's approval in a general meeting and the settlement of the remaining HK\$5 million cash consideration as well as issuance of 50,000,000 shares. As at the date of this announcement, the general meeting has not yet been conducted. In the event that completion does not take place for whatsoever reason, the refundable deposit shall be repaid to the Company within 3 business days.

Other prepayments and receivables

The following is a breakdown of other prepayments and receivables of the Group as at 31 March 2011 and 31 December 2010 :

	31.3.2011 HK\$'000	31.12.2010 HK\$'000
Short term advance to Xintian eAccess Group	3,701	3,701
Other receivables	64,776	28,272
	<u>68,477</u>	<u>31,973</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.

As at the date of this announcement, the Group cannot reach an agreement with the Subscribers for the formation of the new venture as well as the contribution arrangement. On 12 December 2010, The Group's wholly owned subsidiaries Armarda Technology (Zhuhai) Ltd and Armarda Technology (Hong Kong) Ltd entered into an agreement with YWACL for the working capital advance amounting to approximately HK\$7.7 million that was made on or before 12 December 2010, in return a 28% share of the revenue of YWACL for a period from 1 January 2011 to 31 December 2025.

The balance of working capital advance remains unchanged as at 31 March 2011 as well as 31 December 2010 amounting to approximately HK\$3.7 million, represents the equipment sold to YWACL in FY2009. Please refer to the section “Other Investment” on Page 14 of this announcement for subsequent treatment of the reclassification. The management reassessed the recoverability and expected no impairment allowance is necessary, and agreed no more advance will be granted.

Other receivables

Other receivables increased by approximately HK\$36.5 million from approximately HK\$28.3 million as at 31 December 2010 to approximately HK\$64.8 million as at 31 March 2011, which is mainly due to short term project advances to business partners in order to assist them in awarding new projects in the PRC, from which the Group will be able to generate revenue in the area of IT support services as well as surveillance related projects for equipment supply in the PRC.

Cash and cash equivalents

The following is a breakdown of cash and cash equivalents of the Group as at 31 March 2011 and 31 December 2010 :

	31.3.2011 HK\$'000	31.12.2010 HK\$'000
Cash at banks and in hand	21,624	12,676
Total cash and cash equivalents	21,624	12,676

Please refer to page 19 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 31 March 2011 and 31 December 2010

	31.3.2011 HK\$'000	31.12.2010 HK\$'000
Accrued subcontracting charges	4,165	4,603
Other deposits and accruals	6,441	6,416
	10,606	11,019

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\$0.4 million from approximately HK\$4.6 million as at 31 December 2010 to approximately HK\$4.2 million as at 31 March 2011. The decrease of payable is mainly attributed by corresponding decrease in IT service revenue in the first quarter of FY2011 as well as the repayment of certain amount of subcontracting charges during the period.

Obligations under finance lease

As at 31 March 2011, the Group has obligations under a finance lease that are repayable within 1 year of approximately HK\$0.20 million (31 December 2010 of approximately HK\$0.20 million) and repayable after 1 year but within 5 years of approximately HK\$0.44 million (31 December 2010 of approximately HK\$0.49 million).

Deferred tax liabilities

Deferred tax liabilities decreased by approximately HK\$0.1 million from approximately HK\$3.1 million as at 31 December 2010 to approximately HK\$3.0 million as at 31 March 2011. Deferred tax is derived from the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Reserves

The following is a breakdown of the Reserves of the Group as at 31 March 2011 and 31 December 2010 :

	31.3.2011 HK\$'000	31.12.2010 HK\$'000
Share premium	149,064	131,542
Foreign exchange translation reserve	28,148	27,983
PRC statutory reserve	5,863	5,863
Revaluation reserve	98	98
Employee share-based capital reserve	12,544	12,544
Other reserves	(19,027)	(19,027)
Contributed surplus	43,348	43,348
Accumulated loss	(127,078)	(120,140)
	<u>92,960</u>	<u>82,211</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.
- Contributed surplus relates to the capital reorganisation exercise for the reduction of the par value from HK\$0.20 each to HK\$0.05 each. After the capital reduction taking effect on 30 April 2010, the credit amount of HK\$84,696,071 was credited to the contributed surplus account of the Company, of which HK\$41,348,347 was utilised to set off the accumulated losses of the Company in its entirety.
- The other reserves arise from the acquisition of non-controlling interest of BTL in FY2009. 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\$0.9 million and HK\$1.4 million represents the 25% minority interest as at 31 March 2011 and 31 December 2010 respectively. 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 FY2010 and FY2009 of approximately HK\$2.1 million and HK\$21.1 million respectively. Subsequently, a loss of approximately HK\$0.5 million is reported in the first quarter of FY2010, which is the net off of share of profit and share of amortisation expenses during the quarter.

Cashflows

The Group used approximately HK\$14.2 million in its operating activities for the first quarter of FY2011, as compared to an outflow of approximately HK\$5.2 million in the first quarter of FY2010. This is primarily due to cash used in operating activities before changes in working capital of approximately HK\$4.3 million, the decrease in other payables and accruals of approximately HK\$0.4 million, and the increase in trade and other receivables of approximately HK\$9.5 million for the first quarter of FY2011.

The Group did not have cash outflow in its investing activities for the first quarter of FY2011, as compared to an outflow of approximately HK\$0.7 million for the first quarter of FY2010.

The Group generated of approximately HK\$23.2 million in its financing activities for the first quarter of FY2011, as compared to an outflow of approximately HK\$32 thousand for the first quarter of FY2010. The cash inflow in the first quarter of FY2011 is mainly contributed by the issuance of placement shares to independent investors.

As a whole, the Group generated approximately HK\$8.9 million in the first quarter of FY2011 as compared to approximately HK\$6.3 million used in the first quarter of FY2010. The cash and cash equivalents as at 31 March 2011 is of approximately HK\$21.6 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

Since the last reporting period, the overall market condition of the PRC IT industry where Armarda operates has remained highly competitive and difficult. The management expects that such situation will not be improved in the near future and hence the decline of the financial performance of our core business will continue. However, with China RFID Limited, our currently 75% owned subsidiary, having received the first batch order and having started scheduled delivery thereof for the NXP RFID chips for use by the Shangdong pilot site of the nationwide e-Passport project in the, we expect that the financial performance of our RFID business sector will be improved in the upcoming reporting periods subject to no delay in project implementation. In summary, the management will continue to put more focus on and to devote more resources into the development of our RFID business in the PRC in all applicable areas while at the same time, we will continue to work on potential acquisition target with an aim to explore new promising business opportunities with substantial growth potential for the upcoming reporting periods.

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 (FY2010 : 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 first quarter ended 31 March 2011.

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 (FY2010 : Nil)

(b) Preference

Nil (FY2010 : Nil)

(c) Total

Nil (FY2010 : 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.

On behalf of the Board of Directors

Chou Tao Hsiung, Joseph
Non-executive Chairman

Luk Chung Po, Terence
Deputy Chairman, Chief Executive Officer

BY ORDER OF THE BOARD

Luk Chung Po, Terence
Executive Director

13 MAY 2011

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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