

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

PROPOSED CAPITAL REDUCTION AND PROPOSED INCREASE OF THE AUTHORISED SHARE CAPITAL

1. INTRODUCTION

The Board of Directors (the "**Board**") of Armarda Group Limited (the "**Company**") wishes to announce that the Company is proposing to undertake capital reorganisation of the Share capital of the Company (the "**Proposed Capital Reorganisation**").

As at the date of this announcement, the authorised Share capital of the Company is HK\$500,000,000 divided into 10,000,000,000 Shares of par value HK\$0.05 each, of which 5,269,523,474 Shares of par value HK\$0.05 each have been issued and fully paid-up. For the purpose of this announcement, "**Shares**" means ordinary shares in the capital of the Company.

The Proposed Capital Reorganisation will involve the following:-

- (a) the reduction of the issued and paid up Share capital of the Company from HK\$263,476,174 divided into 5,269,523,474 Shares of par value HK\$0.05 each in the issued Share capital of the Company to HK\$5,269,523 divided into 5,269,523,474 Shares of par value HK\$0.001 each by cancelling the paid-up capital of the Company to the extent of HK\$0.049 on each of the issued Shares of par value HK\$0.05 such that the par value of each of the issued Share be reduced from HK\$0.05 to HK\$0.001 (the "**Proposed Capital Reduction**");
- (b) as a result of the Proposed Capital Reduction, the par value of all Shares in the authorised Share capital of the Company be reduced from HK\$0.05 each to HK\$0.001 each, resulting in the reduction of the authorised Share capital of the Company from HK\$500,000,000 divided into 10,000,000,000 Shares of par value HK\$0.05 each to HK\$10,000,000 divided into 10,000,000,000 Shares of par value HK\$0.001 each;
- (c) subject to and forthwith upon the Proposed Capital Reduction taking effect, the credit amount of HK\$258,206,650 arising from this Proposed Capital Reduction be credited to the contributed surplus account of the Company, resulting a total amount of HK\$301,554,650 in the contributed surplus account (which comprises of the balance of HK\$43,348,000 prior to the Proposed Capital Reduction taking effect, and the credit amount of HK\$258,206,650 arising from this Proposed Capital Reduction being credited to the contributed surplus account of the Company), of which approximately HK\$285,098,000 will be applied to set off the accumulated losses of the Company in its entirety; and

After the Proposed Capital Reorganisation, the Company is proposing to increase the Company's authorised Share capital from HK\$10,000,000 divided into 10,000,000,000 Shares of par value HK\$0.001 each to HK\$100,000,000 divided into 100,000,000,000 Shares of par value HK\$0.001 each by the creation of 90,000,000,000 Shares of par value HK\$0.001, each rank *pari passu* in all respects with the existing Shares (the "**Proposed Increase of the Authorised Share Capital**").

2. EFFECT OF THE PROPOSED CAPITAL REORGANISATION AND THE PROPOSED INCREASE OF THE AUTHORISED SHARE CAPITAL

Upon the Proposed Capital Reduction becoming effective, the par value of each issued and unissued Share will have been reduced from HK\$0.05 to HK\$0.001 and the issued Share capital immediately after the Proposed Capital Reduction will be HK\$5,269,523 represented by 5,269,523,474 Shares of par value HK\$0.001 each.

Upon the completion of the Proposed Capital Reduction and the Proposed Increase of the Authorised Share Capital, the Company's Authorised Share Capital will be changed from HK\$500,000,000 divided into 10,000,000,000 Shares of par value HK\$0.05 each to HK\$100,000,000 divided into 100,000,000,000 Shares of par value HK\$0.001 each.

Upon the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital becoming effective, there is no change in the number of issued and paid-up Shares held by, or the percentage level of shareholding of, each registered holders of Shares in the register of members of the Company ("**Registry of Members**") ("**Shareholders**") as a result of the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital. The Shares of par value HK\$0.001 will rank *pari passu* in all respects with each other.

The Proposed Capital Reorganisation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and will also not result in a return of capital or cash to Shareholders. Shareholders will not be required to make any payment to the Company in respect of the Proposed Capital Reorganisation. The Proposed Capital Reorganisation will not cause any changes to the percentage shareholding of each Shareholder.

Other than the expenses incurred in relation to the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

The credit of HK\$258,206,650 arising from the Proposed Capital Reduction will be transferred to the contributed surplus account of the Company, resulting a total amount of approximately HK\$301,554,650 in the contributed surplus account (which comprises of the balance of HK\$43,348,000 prior to the Proposed Capital Reduction taking effect, and the credit amount of HK\$258,206,650 arising from this Proposed Capital Reduction being credited to the contributed surplus account of the Company), of which approximately HK\$285,098,000 will be applied to set off the accumulated losses of the Company in its entirety.

The Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital will also not result in a return of capital or cash to Shareholders.

3. CONDITIONS PRECEDENT FOR THE PROPOSED CAPITAL REORGANISATION AND THE PROPOSED INCREASE OF THE AUTHORISED SHARE CAPITAL

The implementation of the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital is subject to, *inter alia*, the following:

- (a) approval of the Shareholders for the Proposed Capital Reorganisation by way of a special resolution at a special general meeting ("**SGM**");
- (b) approval of the Shareholders for the Proposed Increase of the Authorised Share Capital by way of an ordinary resolution at the SGM;
- (c) compliance with relevant legal procedures and requirements under Bermuda laws and Singapore laws (if any) to effect the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital, including the publication of a notice in an appointed newspaper in Bermuda at a date not more than thirty (30) days and not less than fifteen (15) days before the effective date of the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital as required under section 46 of the Bermuda Companies Act; and
- (d) the receipt of all necessary approvals (if any) from the regulatory authorities, including but not limited to, the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as may be required in respect of the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital.

4. RATIONALE

Due to the intense competition of the PRC IT industry where the Company and its subsidiaries operate remained difficult, the Company reported loss for the current years and the accumulated losses of the Company as at 31 March 2014 amounted to approximately HK\$285,098,000. One of the purposes of the Proposed Capital Reorganisation is to write off the accumulated losses of the Company as at 31 March 2014, being approximately HK\$285,098,000. The cancellation of capital no longer represented by available assets would result in the par value of the Shares more closely reflecting the value of the Company's underlying assets and consequently the capital employed by the Company's businesses. Any capital cancelled shall be credited to the contributed surplus account of the Company, of which approximately HK\$285,098,000 will be utilised to write off the accumulated losses of the Company in its entirety in accordance with the Bye-Laws of the Company and all applicable laws.

In addition, the Shares have been trading between HK\$0.0244 and HK\$0.0305 (based on an average exchange rate of S\$1:HK\$6.1053 from 11 September 2014 to 10 October 2014) with a weighted average closing price of HK\$0.0264 (based on an average exchange rate of S\$1:HK\$6.1053 from 11 September 2014 to 10 October 2014), which is below the existing par value per Share of HK\$0.05, during the one (1) month period prior to 10 October 2014, being the last market day prior to the date of this announcement. Under the laws of Bermuda, shares of a Bermuda company may not be issued for an amount less than the par value of the shares. The Proposed Capital Reorganisation serves to provide the Company additional flexibility to issue new Shares should fund raising opportunities or requirements arise and facilitate corporate actions which may require the issuance of the Shares.

5. FINANCIAL EFFECTS OF THE PROPOSED CAPITAL REORGANISATION AND THE PROPOSED INCREASE OF THE AUTHORISED SHARE CAPITAL

For illustrative purpose only, the pro forma financial effects of the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital as at 31 March 2014 and after taking into consideration the 1,440,000,000 Placement Shares are set out below for illustrative purposes only and do not reflect the actual future financial position of the Group following the completion of the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital. The pro forma financial effects of the Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital are based on the audited financial statements of the Group for financial year ended 31 March 2014 ("FY2014"). The Proposed Capital Reorganisation and the Proposed Increase of the Authorised Share Capital is assumed to have been implemented on 1 April 2014 for the pro forma comprehensive income statement and on 31 March 2014 respectively for the pro forma balance sheet.

(a) Share Capital

The share capital of the Company before and after the Proposed Capital Reorganisation is as follows:

Authorised Share Capital

Before the Proposed Capital Reorganisation

Number of Shares	10,000,000,000
Par Value (HK\$)	0.05
Total (HK\$)	500,000,000
Total (equivalent to S\$) ⁽¹⁾	81,916,183

After the Proposed Capital Reduction

Number of Shares	10,000,000,000
Par Value (HK\$)	0.001
Total (HK\$)	10,000,000
Total (equivalent to S\$) ⁽¹⁾	1,638,324

After the Proposed Increased of Authorised Share Capital

Number of Shares	100,000,000,000
Par Value (HK\$)	0.001
Total (HK\$)	100,000,000
Total (equivalent to S\$) ⁽¹⁾	16,383,237

Note:

(1) Based on an exchange rate of S\$1:HK\$6.1038 as at 10 October 2014, being the last market day preceding to the date of this announcement.

Share Capital	Number of Issued Shares	in HK\$
Issued Share Capital as at 31 March 2014	3,829,523,474	191,476,174
Add:		
(a) Placement Shares	1,440,000,000	72,000,000
Total Share Capital before the Proposed Capital Reorganisation	5,269,523,474	263,476,174
After Proposed Capital Reorganisation⁽¹⁾⁽²⁾	5,269,523,474	5,269,523

Note:

(1) Company proposed to reduce issued and paid-up Share capital by HK\$258,206,650

(2) The Proposed Increase of Authorised Share Capital has no impact on the Company's issued and paid-up Share capital

(b) Shareholders' Funds and Reserves

A comparison of the Shareholders' funds and reserves of the Company before and after the Proposed Capital Reorganisation is set out below:

	Before the Proposed Capital Reorganisation (HK\$)	After the Proposed Capital Reorganisation (HK\$)
Share Capital as at 31 March 2014	191,476,174	
Add: Placement Shares	72,000,000	
Share Capital	263,476,174	5,269,523
Share Premium as at 31 March 2014	337,117,000	337,117,000
Contributed surplus	43,348,000	16,456,650
Accumulated losses	(285,098,000)	-
Reserves	(1,639,000)	(1,639,000)
Equity attributable to equity holders of the Company	357,204,174	357,204,174

(c) Earnings, NTA and gearing

Save for the costs and expenses relating to the Proposed Capital Reorganisation and the Proposed Increase of Authorised Share Capital, the implementation of the Proposed Capital Reorganisation and the Proposed Increase of Authorised Share Capital will not have any effect on the earnings, NTA and gearing of the Group. No capital will be returned to Shareholders and there will be no change in the number of Shares held by Shareholders immediately after the Proposed Capital Reorganisation and the Proposed Increase of Authorised Share Capital.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the Company as at the date of this announcement, based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders, are as follows:-

	← Number of Shares →			% of the issued Share capital of the Company ⁽¹⁾
	Direct interest	Deemed interest	Total interest	
Directors				
Luk Chung Po ⁽²⁾	48,876,255	44,381,277	93,257,532	1.77%
Gao Xiangjun, Richard	1,506,000	-	1,506,000	0.03%
Mak Tin Sang	39,502	-	39,502	0.0007%
Chou Tao-Hsiung, Joseph	887,626	-	887,626	0.017%
Phuah Lian Heng	-	-	-	-
Lee Joo Hai	-	-	-	-
Substantial Shareholders				
Lu Qing Wei	320,000,000	-	320,000,000	6.073%
Lam Cho Ying Terence Joe	596,200,000	-	596,200,000	11.314%

Notes:

- (1) Based on the Company's existing Issued Share Capital of 5,269,523,474 Shares as at the date of this announcement.
- (2) Mr. Luk Chung Po holds 44,381,277 Shares through nominee company(ies). Mr. Luk Chung Po is deemed interested in the Shares held by Compelling Vision Technology Limited by virtue of Mr. Luk Chung Po's 100% shareholding in Compelling Vision Technology Limited.

None of the Directors and substantial Shareholders have any interest, direct or indirect, in the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company). To the best of the knowledge of the Directors, the substantial Shareholders of the Company are Lu Qing Wei and Lam Cho Ying, Terence Joe as at the date of this announcement.

7. CIRCULAR TO SHAREHOLDERS

Further details of the Proposed Capital Reorganisation will be announced and/or included in the circular to be despatched to Shareholders. The circular will also enclose the notice of the SGM for the Proposed Capital Reorganisation.

BY ORDER OF THE BOARD

Luk Chung Po, Terence
Executive Director
13 October 2014

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.
Telephone number: 6221 0271*