

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

CONVERTIBLE LOAN AGREEMENT

1. INTRODUCTION

As disclosed by Armarda Group Limited (“**Armarda**” or the “**Company**”) in its results announcements for the financial period 3 months ended 30 June 2013, 6 months ended 30 September 2013, and 9 months ended 31 December 2013, the Company has made refundable deposits (“**Deposit**”) for an aggregate of approximately HK\$44.1 million for a potential PRC telecommunication project (the “**PRC Project**”). Subsequently, a further deposit amounting to approximately HK\$5.95 million was made in February 2014 and the total Deposit made by the Company is approximately HK\$50.05 million as at the date of this announcement.

The board of directors (“**Board**”) of Armarda wishes to inform that the Company has on 25 March 2014 entered into an agreement (“**Convertible Loan Agreement**”) with Mr Lu and his special purpose vehicle company (“**Zhuhai Entity**”) for the purpose of conversion of the said Deposit into a convertible loan (“**Convertible Loan**”).

The initial intention of the Deposit was to facilitate the Company's participation in the PRC Project via either the provision of services or supply of products or acquisition of direct equity interest in the PRC Project upon fulfillment of certain milestones, including but not limited to obtaining a certain telecommunication operating license from the relevant PRC authority. In March 2014, the milestones as prerequisites for making such license application to the relevant authority, was fulfilled and application for the license is currently under process. However due to the prevailing PRC government's policy restriction on foreign ownership in its telecommunication industry, the Company will not be able to acquire directly an equity interest in the PRC Project. As such and with the fulfillment of the milestones and the application for the license, the Deposit has been restructured into the Convertible Loan.

Pursuant to the terms of the Convertible Loan agreement, the Company has the right but not the obligation, to convert amounts outstanding under the Convertible Loan into a maximum of 94.5% direct equity interest in the Zhuhai Entity, which in return is the legal owner of an approximately 44% equity interest in the PRC Project.

The Directors are satisfied that the provision of the Convertible Loan and the possible participation in the PRC Project is in the interest of the Company, there is sufficient safeguard to ensure the repayment of the Convertible Loan, and the Company is adequately secured in terms of the Convertible Loan including sufficient equitable measure for the conversion and transferability.

2. INFORMATION ON MR LU AND THE ZHUHAI ENTITY

Mr. Lu is an experienced and successful merchant in the IT industry in China and has long-established business and personal relationship with the senior management people of various telecommunication operators in China. Mr. Lu is currently owning 100% equity interest of the Zhuhai Entity and has pledged 94.5% of such equity interest of the Zhuhai Entity to the Company in return for receiving the HK\$50.05 million Convertible Loan from the Company.

The Zhuhai Entity has been set up in June 2013 and is a special purpose vehicle (100% owned by Mr. Lu) solely as the investment vehicle for obtaining and holding approximately 44% equity interest of the said PRC Project. Mr. Lu has pledged 94.5% equity interest of the Zhuhai Entity to the Company in return for receiving the HK\$50.05 million Convertible Loan from the Company. As

the Zhuhai Entity is a special purpose vehicle with the only asset being its investment in the PRC Project (which has not commenced operations), no valuation has been conducted for this Zhuhai Entity and its net book value, net tangible assets and profit figure are not meaningful.

The PRC Project is principally engaged in carrying on telecommunication business under restricted operating license in China which is highly complementary to the current Mobile Satellite services operated by the Company's associate China Mobile Satellite Communication Group Limited ("CMSCG") in China.

3. SALIENT TERMS OF THE CONVERTIBLE LOAN

Issue Size: the aggregate face value of the convertible loan is HK\$50.05 million

Purpose: The amounts advanced under the Convertible Loan shall with the approval of the Company be used solely and wholly for the purposes of investing into the PRC Project.

Maturity Date: One (1) year from the date of the Convertible Loan Agreement

Issue Price: 100% of the principal amount of the Convertible Loan

Interest: the interest rate on the Convertible Loan is 4.2% per annum chargeable from 1 April 2014 and payable annually in arrear.

Security: 94.5% equity interest in the Zhuhai Entity

Conversion: Pursuant to the Convertible Loan Agreement, the Company subject to relevant local authorities' approval and laws/regulations, has the right as well as sufficient equitable measures, but not the obligation, to convert wholly or partially (at the election of Company) at any time after the date of Convertible Loan Agreement, amounts outstanding under Convertible Loan into shares of the Zhuhai Entity for up to an equity interest of 94.5% in the Zhuhai Entity.

Mandatory Redemption: Any amounts outstanding under the Convertible Loan, together with any accrued interest shall be repaid in full on its Maturity Date in the event that the Company does not elect to convert wholly or partially the Convertible Loan.

Anti-Dilution and Adjustment Provisions: There are provisions for Anti-Dilution and Adjustment Provisions in the Convertible Loan Agreement which shall take effect upon the occurrence of certain dilutive events, including, inter alia, any alteration to the share capital of the Zhuhai Entity.

Transferability: the Convertible Loan are not transferable.

Status: the Convertible Loan constitute direct and secured obligation of the Zhuhai Entity.

Governing Law: the terms of the Convertible Loans shall be governed by the laws of the Hong Kong Special Administrative Region ("the HKSAR").

4. RATIONALE

The Deposit was made for the purpose of preparation for participation in the PRC Project in the telecommunication industry. Due to the confidential and sensitive nature of current status of aforementioned project, the Company and participants of the PRC Project are bound by confidentiality and non-disclosure agreements and as such details of the PRC Project cannot be disclosed as at the date of this announcement.

The initial intention of the Deposit was to acquire a direct equity interest in the PRC Project. However due to prevailing PRC government policy restriction on foreign entities direct participations in telecommunication industry, the Company is not able to acquire direct equity interest in the said PRC Project. As such, the Deposit has since been restructured into the Convertible Loan.

To the best of their knowledge, the Directors believe that participating in the said PRC Project is synergistic to the Company, its subsidiaries, and associates existing operations in the information technology and telecommunication industries. The said PRC Project will allow the Company to further advance its presence and potentially increase its market shares in the PRC telecommunication industry and is highly complementary in the promotion of CMSCG's Mobile Satellite Service business in China.

5. FUNDING RESOURCES

The Deposit was fully funded by Company's internal resources and proceeds raised in the previous private placements.

6. RELATIVE FIGURES UNDER THE LISTING MANUAL 1006

Pursuant to Chapter 10 of the Catalist Rules, the relative figures of the any acquisition or disposal of assets are computed based on the Group's latest announced consolidated financial results for the 9 months ended 31 December 2013 ("**3Q2014**"), in accordance with Part IV Rule 1006 of the Catalist Rules are as follows:-

Rule 1006		
(a)	The net asset value of the assets to be disposed of compared with the group's net asset value	n.a. ⁽¹⁾
(b)	The net profits attributable to the assets acquired, compared with the group's net profit	n.m. ⁽²⁾
(c)	Aggregate value of the consideration paid, compared with the Group's market capitalisation	35.8% ⁽³⁾
(d)	The number of equity securities issued by the issuer as consideration, compared with the number of equity securities previously in issue	n.a. ⁽⁴⁾

Note:

- (1) Not applicable as this is not a disposal
- (2) Not meaningful as the Group made a net loss of approximately HK\$34.3 million in the nine months period ended 31 December 2013 ("**9M2014**"). The Zhuhai Entity is a special purpose vehicle with the sole asset being its investment in the PRC Project (which has not commenced operations as at the date of this announcement).
- (3) The Company's market capitalisation of approximately HK\$139.8 million is based on its total number of issued Shares of 3,829,523,474 Shares and the weighted average price of approximately S\$0.006 per Share on 24 March 2014, being the market day preceding the date of the Convertible Loan Agreement and at an exchange rate of S\$1 = HK\$6.085 as at 24 March 2014.
- (4) Not applicable as no shares of the issue will be issued.

Having regard to the relative figures computed under Rule 1006 (c), the Convertible Loan constitutes a discloseable transaction pursuant to Chapter 10 of the Catalist Rules. However, as the relative figure computed under Rule 1006 (b) involves negative figure (being, the Group's net loss of approximately HK\$34.3 million for 9M2014), pursuant to Rule 1007 (1) the SGX-ST will be consulted and where applicable, an appropriate announcement will be made,

7. FINANCIAL EFFECTS

For illustrative purposes only, the following is an analysis and illustration of the proforma financial effects of the Proposed Acquisition on the Net Tangible Assets ("**NTA**") per share of the Group based on the Group's audited consolidated balance sheet as at financial year ended 31 March 2013 ("**FY2013**"), and the assumptions as summarized herein and in the accompanying notes.

Net Tangible Assets	Before entering into the Convertible Loan Agreement	After entering into Convertible Loan Agreement
Consolidated NTA attributable to shareholders of the Company (" Shareholders ") (HK\$' 000)	232,684	232,684
Number of Shares ⁽²⁾	3,239,523,474	3,239,523,474
NTA per Share (in HK\$ cents)	7.18	7.18

Note:

- (1) Number of ordinary Shares as at 27 June 2013 as disclosed in the Company's annual report 2013 ("**AR2013**"), assuming no dilutive event occurred during FY2013.

For illustrative purposes only, the following is an analysis and illustration of the pro forma financial effects of the Proposed Acquisition on the loss per Share ("**LPS**"), based on the Group's audited consolidated loss after income tax for FY2013 and the assumptions as summarized herein and in the accompanying notes.

Loss per Share	Before entering into the Convertible Loan Agreement	After entering into Convertible Loan Agreement⁽¹⁾
(Loss) attributable to Shareholders (HK\$' 000)	(41,352)	(43,454) ⁽³⁾
Weighted average number of ordinary Shares ⁽²⁾	1,630,691,000	1,630,691,000
Loss per Share (in HK\$ cents)	(2.54)	(2.66)

Note:

- (1) Assuming that the Company had entered into the Convertible Loan Agreement at the beginning of FY2013, and the full amount of principal of approximately HK\$50.05 was outstanding since the beginning of FY2013.
- (2) Weighted average number of ordinary Shares for FY2013, as disclosed in the AR2013, assuming no dilutive event occurred during FY2013.

The financial effects presented above are not intended to, and do not, reflect projections of the future financial performance or the actual future financial performance or position of the Group in relation to the potential PRC project and are computed based on the assumptions as summarized above.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors has, and to the best of the Directors' knowledge, there are no controlling Shareholders of the Company, who have, any interest, direct or indirect, in the Convertible Loan, in the Zhuhai Entity and in the aforementioned PRC Project.

9. NO SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Convertible Loan. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. RESPONSIBILITY STATEMENT

The Directors (including any Director who may have been delegated detailed supervision of the preparation of this announcement) have collectively and individually reviewed and approved the issue of this announcement, and have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate in all material aspects and that no material facts have been omitted from this announcement which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly.

Where any information contained in this announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

By Order of the Board of Armarda Group Limited

Luk Chung Po, Terence

Executive Director

29 May 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.

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