MERDEKA

# MERDEKA RESOURCES HOLDINGS LIMITED

# (萬德資源集團有限公司*)

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08163)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**



*This announcement, for which the directors of Merdeka Resources Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Merdeka Resources Holdings Limited. The directors of Merdeka Resources Holdings Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

* *For identification purposes only*

## LETTER TO THE SHAREHOLDERS

I am pleased to present the 2010 Annual Results of Merdeka Resources Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December, 2010.

## BUSINESS ENVIRONMENT

### Recovery of the forestry market

The world forestry market continues to recover from the 2008 recession. While the recovery in 2009 was slow, we see a healthy resurgence of demand in 2010 and the continuous growth of the Chinese economy.

In China, the total value of trade in forest products soared to US$96 billion in 2010, 37% higher than that in 2009. This was primarily driven by internal demand and exports. The volume and value of imported logs, wood chips, furniture and sawnwood have increased across the board.

Various factors contributed to the increase in timber imports into China. Domestic demand for timber in furniture production, construction sector, home interior decoration and improvement soared due to rapid economic development in the mainland. Recovery from the global economic crisis has spurred trade and exports of wood products. Furthermore, national forest protection policies have restricted domestic timber supply and raised the need for increased imports.

China has to date invested in some 130 forestry projects in 21 countries. More than 80 Chinese enterprises have purchased or rented forest land abroad for logging, primary processing as well as wood product and furniture manufacturing.

### Crude palm oil price at historic high

The price of crude palm oil (CPO) reached its historic high level in February 2011. This was driven by low inventory as a result of poor harvest due to operational issues and weather.

Palm oil accounts for 57% of world vegetable oils exports and it is projected that by 2015, world demand will increase to over 62 million tons of palm oil from 46 million tons in 2010. CPO price will continued be supported by the increased demand for vegetable oil from emerging markets such as India and China; as well as limited expansion of Asian oil palm plantations in the next few years.

The Group is optimistic about the long-term prospect of palm oil for the production of biofuel to replace some of the fossil fuel consumption. The European Union has mandated that biofuel should represent about 10% and 25% of total fuel consumption by 2020 and 2030, respectively; and China has a similar target since 2007 that biofuel consumption should represent 15% of total fuel consumption by 2020. Similar mandates have been announced in North America as well as South East Asia ranging from 5% to 20%.

The above reinforces our belief that the Group's business model with a combination of forestry and oil palm plantation operations can provide us with long-term sustainable growth and profitability.

## OPERATIONS REVIEW

During the year under review, the Group continues to engage in its principal activities including: (i) the forestry business with upstream timber harvesting and downstream production of timber and wood products; (ii) the oil palm nursery in preparation of the plantation business; and (iii) the trading business.

The Group continues to make good progress during the last two years in setting a foundation for continued business expansion. We have completed the earlier stage of investment and have commenced the upstream forestry operations in the logging and harvesting of trees. We have completed basic infra-structure such as road and bridges which will support future oil palm plantation. In the downstream operations, the Group has completed its wood processing industrial facilities including two sawmills, one veneer factory, boiler room, workshop, warehouses and staff living area. We have commenced commercial production at the end of 2010.

As for the oil palm plantation business, the Group has commenced the nursery operations by purchasing seeds and engaged expert contractor for the day-to-day caring of the seedlings. The seedlings are in good condition and will be ready for planting in 2011.

## FINANCIAL REVIEW

During the year under review, revenue of the Group for the year ended 31 December 2010 was HK$6,715,000 as compared to HK$6,970,000 for the period ended 31 December 2009. The Group reported a loss of approximately HK$67,454,000 mainly due to non-cash accounting charges and the start-up cost of the forestry and plantation business in 2010.

## OUTLOOK

The Group is confident about the forestry and plantation resources business. Our rights to the forestland of over 300,000 hectares represents precious resources for the development of our future business. China's continued robust economy and resurging timber import requirements provide strong market for the Group's products. In view of the global demand for vegetable oil, especially from emerging countries, we believe the palm oil market will remain buoyant in the years to come.

The heavy investment in our infra-structure, production facilities and human resources will provide a strong foundation for our sustained growth and profitability in the future.

In the year 2011, the Group will focus on the commercial production and sales of our timber products and set the stage for our plantation operations.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 5 November 2010, the name of the Company was changed from "CCT Resources Holdings Limited" to "Merdeka Resources Holdings Limited". The Chinese name of the Company adopted for identification purposes was changed from "中建資源集團有限公司" to "萬德資源集團有限公司".

## DISSOLUTION OF THE ADVISORY COMMITTEE

The Board announced that the advisory committee (the "Advisory Committee") set up on 7 August 2009 has been dissolved with effect from 10 January 2011, following the resignations of each of Mr. Wang Jun ("Mr. Wang"), as the chairman of the Advisory Committee, Mr. Xu Dingming ("Mr. Xu") and Mr. Li Changwei ("Mr. Li"), both as the deputy chairman of the Advisory Committee respectively on 30 December 2010.

Due to their various personal commitments, each of Mr. Wang, Mr. Xu and Mr. Li respectively found it increasingly difficult to give sufficient time to the Company in their performance as members of the Advisory Committee of the Company.

Each of Mr. Wang, Mr. Xu and Mr. Li has confirmed that they have no disagreement with the Board and there is no matter relating to their resignations that needs to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to thank Mr. Wang, Mr. Xu and Mr. Li for their invaluable advice and contribution in the past that had strengthened the Company's resources business.

## CHANGE OF MANAGEMENT

On 23 November 2010, Mr. Mak Shiu Tong, Clement tendered his resignation as the chairman, chief executive officer, executive director, member of the remuneration committee, authorised representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company; Mr. Tam Ngai Hung, Terry tendered his resignation as an executive director, chief financial officer, member of the remuneration committee, compliance officer, authorised representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company; Ms. Cheng Yuk Ching, Flora tendered her resignation as an executive director of the Company and as a director of the relevant subsidiaries of the Company; Dr. William Donald Putt tendered his resignation as an executive director of the Company and Mr. Lam Che Wah, Danny tendered his resignation as the company secretary of the Company. The above resignations were tendered in accordance with the terms and conditions of the sale and purchase agreement on 22 November 2010 between Manistar Enterprises Limited and Merdeka Commodities Limited, both were substantial shareholder of the Company. After the above-mentioned resignations of directors and secretary, Mr. Ma Hang Kon, Louis has been appointed as the chairman, chief executive officer, executive director, compliance officer, member of the remuneration committee, company secretary, authorised representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company and Mr. Lai Wing Hung has been appointed as an executive director, member of the remuneration committee and authorised representative of the Company and as a director of the relevant subsidiaries of the Company.

After the year ended, on 27 January 2011, the Company appointed Mr. Yeh Shuen Ji (葉選基) as a non-executive director and invited him to be the chairman of the Company, Mr. Bai Baohua (白葆華) as a non-executive director of the Company and Mr. Wong Shui Lung (王水龍) as an executive director of the Company.

With effect from 27 January 2011, Mr. Ma Hang Kon, Louis was re-designated to as an executive director, chief executive officer, member of the remuneration committee, compliance officer, company secretary, authorized representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company.

Additional senior management staff has been employed at the operating level to cope with the development of the forestry business in Indonesia. With new management of diversified experience and expertise, it is anticipated that there will be positive impact on the daily operations of the Group's forestry business in Indonesia as well as the overall leadership of the Company and the Group.

## APPRECIATION

On behalf of the Board, I would like to express our gratitude to the Directors, the management and all employees for their strong commitment and contribution towards the execution of the Group's strategies and operations. We also wish to thank all customers, suppliers, business partners, bankers, the authorities and shareholders for their support over the past years.

**Ma Hang Kon, Louis**
*Chief Executive Officer*

Hong Kong
25 March 2011

## ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to announce that the consolidated annual results of the Group for the year ended 31 December 2010, together with the comparative figures for the previous year are as follows:

## CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2010*

| | Notes | **Year ended 31 December 2010** *HK$'000* | Period from 1 April 2009 to 31 December 2009 *HK$'000* |
|---|---|---|---|
| REVENUE | *4* | **6,715** | 6,970 |
| Cost of sales | | **(6,614)** | (6,785) |
| Gross profit | | **101** | 185 |
| Other income and other net gains | *4* | **516** | 711 |
| Administrative expenses | | **(28,665)** | (18,904) |
| Operating expenses for plantation activities | | **(10,491)** | – |
| Change in fair value of biological assets less cost to sell | | **4,843** | – |
| Equity-settled share option expenses | | **–** | (11,984) |
| Loss from operations | | **(33,696)** | (29,992) |
| Finance costs | *7* | **(33,758)** | (28,630) |
| LOSS BEFORE TAX | *6* | **(67,454)** | (58,622) |
| Income tax | *8* | **–** | – |
| LOSS FOR THE YEAR/PERIOD | | **(67,454)** | (58,622) |
| Attributable to: | | | |
| Owners of the Compnay | | **(64,294)** | (57,436) |
| Non-controlling interests | | **(3,160)** | (1,186) |
| Loss for the year/period | | **(67,454)** | (58,622) |
| LOSS PER SHARE | | | |
| Basic and diluted | *10* | **(HK1.2 cents)** | (HK1.3 cents) |
| DIVIDEND | *9* | **–** | – |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*Year ended 31 December 2010*

| | **Year ended 31 December 2010** *HK$'000* | Period from 1 April 2009 to 31 December 2009 *HK$'000* |
|---|---|---|
| LOSS FOR THE YEAR/PERIOD | **(67,454)** | (58,622) |
| Other comprehensive (loss)/income | | |
| Exchange difference on translating of financial statements of overseas subsidiaries | **(429)** | 1,038 |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD | **(67,883)** | (57,584) |
| Total comprehensive loss attributable to: | | |
| Owners of the Company | **(64,723)** | (56,398) |
| Non-controlling interests | **(3,160)** | (1,186) |
| | **(67,883)** | (57,584) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2010*

| | Notes | 31 December 2010 HK$'000 | 31 December 2009 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **37,101** | 35,460 |
| Forest concessions | *11* | **833,535** | 833,801 |
| Biological assets | *12* | **6,635** | – |
| Total non-current assets | | **877,271** | 869,261 |
| **Current assets** | | | |
| Trade receivables | *13* | **–** | 3,479 |
| Prepayments, deposits and other receivables | | **5,951** | 12,253 |
| Pledged deposits | | **–** | 4,238 |
| Cash and cash equivalents | | **68,569** | 101,439 |
| Total current assets | | **74,520** | 121,409 |
| **Total assets** | | **951,791** | 990,670 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | | **53,281** | 48,231 |
| Reserves | | **372,719** | 396,106 |
| | | **426,000** | 444,337 |
| **Non-controlling interests** | | **37,741** | 40,901 |
| **Total equity** | | **463,741** | 485,238 |
| **Non-current liabilities** | | | |
| Convertible bonds | | **–** | 497,304 |
| **Current liabilities** | | | |
| Trade payables | *14* | **–** | 3,427 |
| Other payables and accruals | | **2,398** | 4,701 |
| Convertible bonds | | **485,652** | – |
| Total current liabilities | | **488,050** | 8,128 |
| **Total liabilities** | | **488,050** | 505,432 |
| **Total equity and liabilities** | | **951,791** | 990,670 |
| **Net current (liabilities)/assets** | | **(413,530)** | 113,281 |
| **Total assets less current liabilities** | | **463,741** | 982,542 |

*Notes:*

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss; and biological assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except where otherwise indicated.

In preparing these financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain positive cash flow operations in the immediate and longer term.

In order to strengthen the capital base of the Group and to improve the Group's financial position, liquidity and cash flows in the immediate foreseeable future, and otherwise to sustain the Group as a going concern, the directors have adopted the following measure.

**Financial support by immediate parent company**

Merdeka Commodities Limited ("MCL"), the immediate parent company of the Group and the holder of the convertible bonds, agrees to continue its financial support to the Company by subordinating its right to receive repayment of the convertible bonds owing to it from the Company.

In the opinion of the Directors, in light of the measures taken to date, the Group will have sufficient working capital for its current requirements. Accordingly, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to the Group. The Group elects to measure the non-controlling interests at their proportionate share of the subsidiary's net identifiable assets.

## 2. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no material effect on these financial statements.

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters* |
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* |
| HKFRS 3 (Revised) | *Business Combinations* |
| HKAS 27 (Revised) | *Consolidated and Separate Financial Statements* |
| HKAS 36 (Revised) | Amendments to HKAS 36 *Impairment of Assets* |
| HKAS 39 Amendments | Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* |
| HK(IFRIC)-Int 9 (Revised) | *Reassessment of Embedded Derivatives* |
| HK(IFRIC)-Int 17 | *Distribution of Non-cash Assets to Owners* |
| HK(Int) 4 (Revised) | *Lease - Determination of the Length of Lease Term in respect of Hong Kong Land Leases* |
| HK(Int) 5 | *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause* |
| HKFRSs Amendments | *Improvements to HKFRSs issued in 2009* |

Other than as further explained below regarding the impact of HKFRS 3 (Revised) and HKAS 27 (Revised), the principal effects of adopting these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKFRS 3 (Revised) Business Combinations

HKFRS 3 (Revised) continues to apply the acquisition method for business combinations. The major changes from the existing standard include: the immediate expensing of all acquisition related costs, the inclusion in the cost of acquisition the fair value at acquisition date of any contingent purchase consideration, the re-measurement of previously held equity interest in the acquiree at fair value with any difference from the carrying value recognised in the profit and loss accounts in a business combination achieved at stages. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

(b) HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKAS 27 (Revised) provides that changes in a parent's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions and these transactions shall no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the subsidiary company is re-measured to fair value and the difference between the fair value and the carrying value is recognised in the profit and loss accounts.

## 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKFRS 9 | *Financial Instruments* [4] |
| HKAS 24 (Revised) | *Related Party Disclosures* [3] |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation and Classification fo Rights Issues* [1] |
| HK (IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3] |
| HK(IFRIC)-Int 19 | *Extinguishing Financial Liabilities with Equity Instruments* [2] |

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 4. REVENUE, OTHER INCOME AND OTHER NET GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year.

An analysis of revenue, other income and other net gain are as follows:

| | **Year ended 31 December 2010** *HK$'000* | Period from 1 April 2009 to 31 December 2009 *HK$'000* |
|---|---|---|
| Revenue | | |
| Sale of goods attributable to the trading business | **6,715** | 6,970 |
| | **6,715** | 6,970 |
| Other income | | |
| Interest income | **60** | 52 |
| Others | **15** | 659 |
| | **75** | 711 |
| Other net gain | | |
| Gain on disposal of subsidiaries | **441** | – |
| | **516** | 711 |

## 5. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the trading business segment engaged in the trading of products, components and accessories; and

(b) the forestry business segment engaged in logging of trees, the operations of sawmills and the processing, production and export of sawn timber, other timber and wood products; and

(c) the plantation business segment engages in plantation of oil palm and sale of palm oil.

Executive directors, who are the chief operating decision makers, monitor the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, equity-settled share option expenses, as well as head office and corporate expenses are excluded from such measurement.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

Segment assets include non-current assets and current assets with the exception of certain assets unallocated to an individual reportable segment.

Segment liabilities include non-current liabilities and current liabilities with the exception of tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

**For the year ended 31 December 2010**

| *HK$'000* | Trading business | Forestry business | Plantation business | Total | Reconciliations | Group Total |
|---|---|---|---|---|---|---|
| Segment revenue: | | | | | | |
| Revenue from external customers | 6,715 | – | – | 6,715 | – | 6,715 |
| Operating loss | (73) | (26,560) | (10,491) | (37,124) | – | (37,124) |
| Interest income | – | 44 | – | 44 | 16 | 60 |
| Finance costs | – | (33,758) | – | (33,758) | – | (33,758) |
| Fair value gain on biological assets less cost to sell | – | – | 4,843 | 4,843 | – | 4,843 |
| Reconciled items: | | | | | | |
| Unallocated expenses | – | – | – | – | (1,475) | (1,475) |
| Loss before tax | (73) | (60,274) | (5,648) | (65,995) | (1,459) | (67,454) |
| Additions to non-current assets | – | 7,382 | 1,792 | 9,174 | – | 9,174 |
| Fair value gain on biological assets less cost to sell | – | – | 4,843 | 4,843 | – | 4,843 |
| Depreciation | – | (5,340) | – | (5,340) | – | (5,340) |
| Amortisation of forest concessions | – | (266) | – | (266) | – | (266) |

**For the period from 1 April 2009 to 31 December 2009**

| *HK$'000* | Trading business | Forestry business | Total | Reconciliations | Group Total |
|---|---|---|---|---|---|
| Segment revenue: | | | | | |
| Revenue from external customers | 6,970 | – | 6,970 | – | 6,970 |
| Operating loss | (161) | (17,899) | (18,060) | – | (18,060) |
| Interest income | – | 52 | 52 | – | 52 |
| Finance costs | – | (28,630) | (28,630) | – | (28,630) |
| Reconciled items: | | | | | |
| Unallocated expenses | | | | | |
| – Equity settled share option expenses | – | – | – | (11,984) | (11,984) |
| Loss before tax | (161) | (46,477) | (46,638) | (11,984) | (58,622) |
| Additions to non-current assets | – | 14,150 | 14,150 | – | 14,150 |
| Depreciation | – | (2,732) | (2,732) | – | (2,732) |

**As at 31 December 2010**

| *HK$'000* | **Trading business** | **Forestry business** | **Plantation business** | **Total** | **Reconciliations** | **Group Total** |
|---|---|---|---|---|---|---|
| Segment assets | **3,416** | **883,358** | **6,635** | **893,409** | **–** | **893,409** |
| Reconciled items: | | | | | | |
| Cash and cash equivalents | **–** | **–** | **–** | **–** | **58,205** | **58,205** |
| Unallocated assets | **–** | **–** | **–** | **–** | **177** | **177** |
| Total assets | **3,416** | **883,358** | **6,635** | **893,409** | **58,382** | **951,791** |
| Segment liabilities | **160** | **2,088** | **–** | **2,248** | **–** | **2,248** |
| Convertible bonds | **–** | **485,652** | **–** | **485,652** | **–** | **485,652** |
| Reconciled items: | | | | | | |
| Unallocated liabilities | **–** | **–** | **–** | **–** | **150** | **150** |
| Total liabilities | **160** | **487,740** | **–** | **487,900** | **150** | **488,050** |

**As at 31 December 2009**

| *HK$'000* | Trading business | Forestry business | Total | Reconciliations | Group Total |
|---|---|---|---|---|---|
| Segment assets | 4,925 | 887,525 | 892,450 | – | 892,450 |
| Reconciled items: | | | | | |
| Unallocated corporate assets | – | – | – | 98,220 | 98,220 |
| Total assets | 4,925 | 887,525 | 892,450 | 98,220 | 990,670 |
| Segment liabilities | 3,637 | 4,341 | 7,978 | – | 7,978 |
| Convertible bonds | – | 497,304 | 497,304 | – | 497,304 |
| Reconciled items: | | | | | |
| Unallocated liabilities | – | – | – | 150 | 150 |
| Total liabilities | 3,637 | 501,645 | 505,282 | 150 | 505,432 |

Geographical information:

**(a) Revenue from external customer**

| | **Year ended 31 December 2010** *HK$'000* | Period from 1 April 2009 to 31 December 2009 *HK$'000* |
|---|---|---|
| Mainland China | **6,715** | 6,970 |

The revenue information is based on the location of the customers.

**(b) Non-current assets**

| | **31 December 2010** *HK$'000* | 31 December 2009 *HK$'000* |
|---|---|---|
| Indonesia | **869,308** | 860,656 |
| Hong Kong (place of domicile) | **7,963** | 8,605 |
| | **877,271** | 869,261 |

The non-current asset information above is based on the location of assets.

Information about a major customer

Revenue of HK$6,715,000 for the year ended 31 December 2010 (period ended 31 December 2009: HK$6,641,000) was derived from sales by the trading business segment to a single customer.

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging /(crediting):

| | | **Year ended 31 December 2010** *HK$'000* | Period from 1 April 2009 to 31 December 2009 *HK$'000* |
|---|---|---|---|
| (a) | Staff costs: | | |
| | Salaries, wages and other benefits | **9,622** | 7,945 |
| | Equity-settled share-option expenses | **–** | 11,984 |
| | Pension scheme contributions | | |
| | – Hong Kong | **203** | 77 |
| | | **9,825** | 20,006 |
| (b) | Other items: | | |
| | Auditors' remuneration | | |
| | – Audit services | **626** | 600 |
| | Depreciation | **5,340** | 2,732 |
| | Cost of inventories sold | **6,614** | 6,785 |
| | Minimum lease payments under operating leases: | | |
| | Land and buildings | **2,183** | 1,655 |
| | Loss on disposal of property, plant and equipment | **109** | – |
| | Amortisation of forest concessions | **266** | – |
| | Fair value gain on biological assets less cost to sell | **(4,843)** | – |
| | Foreign exchange loss/(gain), net | **281** | ( 570) |

## 7. FINANCE COSTS

| | **Year ended 31 December 2010** *HK$'000* | Period from 1 April 2009 to 31 December 2009 *HK$'000* |
|---|---|---|
| Interest charge on convertible bonds | **33,758** | 28,630 |

The charge represents the imputed interest on the liability component of the convertible bonds for the year/period.

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (period ended 31 December 2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the year.

## 9. DIVIDEND

No dividend has been paid or declared by the Company during the year (period ended 31 December 2009: Nil).

## 10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year/period.

The calculation of basic and diluted loss per share is based on:

| | **Year ended 31 December 2010** *HK$'000* | Period from 1 April 2009 to 31 December 2009 *HK$'000* |
|---|---|---|
| Loss | | |
| Loss attributable to owners of the Company used in the basic loss per share calculation | **(64,294)** | (57,436) |
| | **Number of shares** | |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year/period | **5,237,491,466** | 4,347,003,545 |

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2010 and period ended 31 December 2009 in respect of a dilution as the impact of the convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 11. FOREST CONCESSIONS

| | **31 December 2010** *HK$'000* | 31 December 2009 *HK$'000* |
|---|---|---|
| Forest concessions | **833,801** | 833,801 |
| Less: Amortisation | **(266)** | – |
| | **833,535** | 833,801 |

During the year ended 31 March 2009, the Group acquired certain forest concessions in the Papua Province of Indonesia through acquisitions of subsidiaries, which provides the Group with the right to exploit and harvest trees in 313,500 hectares of forest area.

The Group commenced the harvesting of trees in late 2009. In the opinion of the Company's directors, as amortisation of the forest concessions for the period from 1 April 2009 to 31 December 2009 is insignificant to the Group's results and financial position, no amortisation of the forest concessions was recognised in the consolidated income statement for the period ended 31 December 2009.

Amortisation is charged on a unit of production basis over the estimated useful lives of forest concession rights.

The forest concession rights cover the entire forest area of 313,500 hectares. This is a long term license which allows logging, land clearing and plantation of oil palm trees.

The Company obtained a legal opinion and legal confirmation letter from Adi Prasetyo & Partners Law Firm, which confirmed that the location permit has been legally granted by the Head of Mimika Regency to the Company for allocation of forest areas in aggregate of 313,500 hectares, located in the Mimika Areas. The plantation business licence has been legally granted to the Company by the Governor of Papua, Indonesia. As such, the Company is legally permitted to carry out land clearing activities and to develop oil palm plantation business, including but not limited to carrying out felling, logging and harvesting of trees, and plantation activities within the Mimika Concessions Areas.

The legal opinion also mentioned the Company would continue to process other permits in addition to the above-mentioned licenses. This includes land use right registration at the National Land Agency, which should be completed within 2 years from the date of plantation business license or the date of Government Decree 35/2009. The application for land use right registration is merely a procedural matter. The land use right registration is relevant only to the plantation activities and is not required for the logging and forest clearing operations. It is expected that there will not be any legal impediment.

As at 31 December 2010, the Group has engaged Roma Appraisals Limited ("RAL"), an independent qualified professional valuer, not connected with the Group to value the forest concession right. The concessions was appraised at a fair value of approximately HK$926,000,000.

RAL is a member of the Hong Kong Institute of Surveyors. RAL has adopted a direct market data method to value the forest concession right which is based on existing economy, forestry industry, timber production in Indonesia and timber consumption worldwide to determine the fair value of the concession rights.

## 12. BIOLOGICAL ASSETS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At the beginning of the year/period | **–** | – |
| Additions | **1,792** | – |
| Fair value gain on biological assets less cost to sell | **4,843** | – |
| At the end of the year/period | **6,635** | – |

The Group is engaged in the plantation of oil palm trees for supply of palm oil to customers. As at 31 December 2010, the Group held 180,000 seedlings of palm oil trees in its nursery area in Timika, Papua, Indonesia for plantation of oil palm trees in the future (immature assets).

The Group's biological assets in Indonesia was independently valued by RAL. RAL used a market-based approach by obtaining information regarding the market prices of the similar oil palms from external sources. In the process, Roma have considered the species, ages and countries of origin of the oil palms.

The comparable market price and the reported quantity of the oil palms were then adjusted for the growth status, ages and actual quantity of the oil palms. The adjusted comparable market price and quantity of the oil palms were applied to estimate the fair value of the oil palms at the reporting date.

## 13. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of impairment, is as follows:

| | **31 December 2010** *HK$'000* | 31 December 2009 *HK$'000* |
|---|---|---|
| Current to 30 days | **–** | 1,710 |
| 31 to 60 days | **–** | 1,769 |
| | **–** | 3,479 |

The Group normally allows credit terms for established customers of 60 days.

## 14. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

| | **31 December 2010 Balance** *HK$'000* | 31 December 2009 Balance *HK$'000* |
|---|---|---|
| Current to 30 days | **–** | 1,684 |
| 31 to 60 days | **–** | 1,743 |
| | **–** | 3,427 |

The trade payables are non-interest-bearing and are normally settled on credit terms of 30 days.

## FINANCIAL REVIEW

### Highlights on Financial Results

| | **Year ended 31 December 2010** *HK$'000* | Period ended 31 December 2009 *HK$'000* | % increase/ (decrease) |
|---|---|---|---|
| **Turnover** | **6,715** | 6,970 | (3.7%) |
| Loss before finance costs and share option expenses | **(33,696)** | (18,008) | 87.1% |
| – Share option expenses | **–** | (11,984) | (100.0%) |
| – Finance costs | **(33,758)** | (28,630) | 17.9% |
| **LOSS FOR THE YEAR/PERIOD** | **(67,454)** | (58,622) | 15.1% |

***Discussion on Financial Results***

During the year ended 31 December 2010, the Group reported a turnover of approximately $6,715,000, decreased by 3.7% as compared to approximately $6,970,000 for the period ended 31 December 2009, due to decrease in sales orders from customer during the financial year.

The Group's operations, representing the forestry business, plantation business and the trading business, posted an operating loss of $33,696,000, an increase of approximately 87.1% compared with last period, mainly due to the increase in the preparation and start-up costs to establish the forestry business before it commences commercial operations.

The share option expense, which is merely a non-cash accounting charge, did not have any impact on the Group's loss this year because no share options were granted to directors and eligible participants of the Company during the year under review.

The Group's loss for the year was further increased by the finance costs of the Group which represent an accounting interest charge, not involving any cash outflow of the Group. The charge represents interest imputed on the liability component of the outstanding convertible bonds of the Company. The imputed interest amounted to approximately $33,758,000 for the year, increased by 17.9% as a result of longer financial year in 2010 compared with the nine months period ended on 31 December 2009.

The Group posted a net loss of approximately $67,454,000 for the year as compared to the loss of approximately $58,622,000 for the previous financial period. The loss was caused by the combined effect of the start-up costs, plantation nursery expenses, and the non-cash charges of finance costs.

**Analysis by Business Segment**

| | Revenue (excluding other revenue) | | Operating loss before finance costs and tax | |
|---|---|---|---|---|
| | **Year ended 31 December 2010** | Period ended 31 December 2009 | **Year ended 31 December 2010** | Period ended 31 December 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| – Trading business | **6,715** | 6,970 | **(73)** | (161) |
| – Forestry business | **–** | – | **(26,516)** | (17,847) |
| – Plantation business | **–** | – | **(5,648)** | – |
| | **6,715** | 6,970 | **(32,237)** | (18,008) |

During the year, the Group's business reportable segments comprise the trading business, the forestry business and the plantation business. Turnover of the Group's trading business was $6,715,000 for the year under review, representing a decrease of 3.7% as compared with the last financial period. The trading business incurred a small loss of $73,000 under competitive business environment.

As the forestry business was still in the development stage, no revenue from the forestry business was recorded during the year. The forestry business incurred a loss of $26,516,000, up 48.6%, attributable to increase in preparation and start-up costs to construct two sawmill factory and one veneer mill in factory area and prepare for the commencement of operations.

The Group is engaged in the plantation of oil palm tree for supply of palm oil to customers. As at 31 December 2010, the Group held 180,000 seedlings of palm oil trees in its nursery area in Timika, Papua, Indonesia. The plantation business incurred a loss of HK$5,648,000 mainly due to the plantation contractor fee and related expenses.

**Analysis by Geographical Segment**

| **Turnover** | **Year ended 31 December 2010** | | Period ended 31 December 2009 | | |
|---|---|---|---|---|---|
| | **Amount** | **Relative** | Amount | Relative | **%** |
| | ***HK$'000*** | **%** | *HK$'000* | % | **decrease** |
| **Mainland China** | **6,715** | **100%** | 6,970 | 100.0% | 3.7% |

During the current financial year and the previous financial period, all the turnover of the Group's trading business was derived from Mainland China.

**Highlights on Financial Position**

| | **31 December 2010** *HK$'000* | 31 December 2009 *HK$'000* | **% increase/ (decrease)** |
|---|---|---|---|
| Property, plant and equipment | **37,101** | 35,460 | 4.6% |
| Forest concessions | **833,535** | 833,801 | 0.03% |
| Biological assets | **6,635** | – | 100.0% |
| Prepayment, deposits and other receivable | **5,951** | 12,253 | (51.4)% |
| Cash and cash equivalents | **68,569** | 101,439 | (32.4)% |
| Convertible bonds (liability portion) | **485,652** | 497,304 | (2.3)% |
| Non-controlling interests | **37,741** | 40,901 | (7.7)% |
| Shareholders' funds | **426,000** | 444,337 | (4.1)% |

***Discussion on Financial Position***

The book value of the property, plant and equipment increased from approximately $35,460,000 as at 31 December 2009 to approximately $37,101,000 as at 31 December 2010. The increase was mainly attributable to additions of buildings and factories, machineries and equipment in relation to the forestry business less increased depreciation of the fixed assets during the year.

The forest concessions amounted to approximately $833,535,000 as at 31 December 2010 (2009: $833,801,000) which was decreased by HK$266,000 from last year being the amortisation of forest concessions (2009: nil), representing the estimated fair value of the concessions acquired.

The prepayment, deposits and other receivable amounted to approximately $5,951,000 as at 31 December 2010, representing mainly the deposits for purchase of machinery and equipment relating to the forestry business. The decrease was mainly due to transfer of construction in progress of buildings and factories to property, plant and equipments during the financial year.

The cash and cash equivalents of the Group decreased by 32.4% to approximately $68,569,000 as at 31 December 2010. The decrease in cash was mainly caused by the net cash outflow to finance operational expenses and building factories of the of the Group's forestry business.

The convertible bonds represent the liability component of the outstanding convertible bonds which were issued to the bond holder by the Company in 2008 as part of the consideration to acquire the forest concessions. The outstanding convertible bonds amounted to approximately $485,652,000 as at 31 December 2010. The decrease in the liability component of the convertible bonds was due to partial conversion of the convertible bonds during year under review.

The decrease in non-controlling interests was due to the sharing of loss in certain Indonesian subsidiaries for the year ended 31 December 2010 by the non-controlling shareholders of these subsidiaries.

The Group's shareholders' funds decreased from $444,337,000 as at 31 December 2009 to $426,000,000 as at 31 December 2010, mainly due to the loss of the Group for the financial year less the issue of new shares of the Company upon exercise of share options for 5,000,000 shares and conversion of the convertible bonds for the amount of HK$50,000,000 resulting in the issue of 500,000,000 shares.

**Capital Structure and Gearing Ratio**

| | **31 December 2010** | | 31 December 2009 | |
|---|---|---|---|---|
| | **Amount** | **Relative** | Amount | Relative |
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* |
| Convertible bonds (liability component) | **485,652** | **53.3%** | 497,304 | 52.8% |
| Total borrowings | **485,652** | **53.3%** | 497,304 | 52.8% |
| Equity | **426,000** | **46.7%** | 444,337 | 47.2% |
| Total capital employed | **911,652** | **100.0%** | 941,641 | 100.0% |

During the year ended 31 December 2010, the MCL Convertible Bonds with an aggregate principal amount of $50,000,000 were converted into 500,000,000 shares of the Company. As at 31 December 2010, the outstanding principal amount of the MCL Convertible Bonds was $504,880,000, of which the liability component plus accrued imputed interest amounted to $33,758,000. The MCL Convertible Bonds are interest free and have a maturity date of 12 August 2011.

The Group's gearing ratio was approximately 53.3% as at 31 December 2010 (2009: 52.8%). The increase in the gearing ratio was due to (i) the decrease in the liability component of the convertible bonds resulting from partial conversion of the convertible bonds during the year; and (ii) the net decrease in equity caused by loss incurred in the year less the issue of new shares upon conversion of the convertible bonds.

Other than the convertible bonds, the Group has no other borrowings as at 31 December 2010.

**Liquidity and Financial Resources**

| | **31 December 2010** | 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current assets | **74,520** | 121,409 |
| Current liabilities | **488,050** | 8,128 |
| Current ratio | **15.3%** | 1,493.7% |

The current ratio of the Group as at 31 December 2010 was 15.3% (2009: 1,493.7%), reflecting the classification of the convertible bonds under current liabilities in this year's financial statements. The convertible bonds were classified as non-current liabilities at the end of 2009.

The decrease in current ratio was due to the maturity of the convertible bonds on 12 August 2011. Merdeka Commodities Limited, the bond holder as well as the company's immediate parent company, has agreed to continue its financial support to the Company by subordinating its right, when necessary, to receive repayment of the convertible coupon bonds owing to it from the Company.

As at 31 December 2010, the Group's total cash balance amounted to approximately $68,569,000 (2009: $105,677,000). No cash balance was pledged for general banking facilities (2009: $4,238,000). Almost all of the Group's cash was placed on Hong Kong dollar deposits with licensed banks in Hong Kong. The amble cash balance provides sufficient cash resources to the Group to cover all operating cash requirements, including working capital and capital expenditure needs.

**Foreign currency exposure**

The Group's reporting currency is in Hong Kong dollars. During the year, most of the transactions of Group's forestry business were denominated in Hong Kong dollars, Indonesian Rupiah or in US dollar. As the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation of the US dollar against the Hong Kong dollar was not significant during the year. As such, the forestry business did not have any significant exposure to foreign exchange risk during the year under review.

The Board considers that the Group's exposure to foreign exchange risk is not significant at present and therefore, no hedging transaction was entered into during the year.

**Contingent liabilities**

As at 31 December 2010, the Group did not have any significant contingent liabilities.

**Acquisition and disposal of subsidiaries and affiliated companies**

The Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

**Significant investments**

The Group did not acquire or hold any significant investment during the year ended 31 December 2010.

**Pledge of assets**

As at 31 December 2010, the Group did not have any pledged deposits (2009: $4,238,000) and pledged assets.

**Capital commitments**

The Group's capital commitments amounted to approximately $22,000 as at 31 December 2010 (2009: $5,412,000), which decreased substantially from last year end as major construction of factories was completed in 2010.

**Employees and remuneration policy**

As at 31 December 2010, the Group employed 157 staff (2009: 225). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. As at 31 December 2010, there were outstanding share options of approximately 258,500,000 (2009: 268,500,000).

**Event after the reporting year**

Subsequent to the end of the reporting year, on 24 January 2011, a total of 43,000,000 share options were granted to a director and other eligible participants, under the Company's existing share option scheme adopted on 20 February 2002 which became effective on 7 March 2002.

Each share option shall entitle the holder thereof to subscribe for one ordinary share of HK$0.01 each in the share capital of the Company upon exercise of such share option at the exercise price of HK$0.078 per share within the period from 24 October 2011 to 6 March 2012.

On 27 January 2011, the Company appointed Mr. Yeh Shuen Ji as a non-executive director and invited him to be the chairman of the Company, Mr. Bai Baohua as a non-executive director of the Company and Mr. Wong Shui Lung as an executive director of the Company.

With effect from 27 January 2011, Mr. Ma Hang Kon, Louis was re-designated to as an executive director, chief executive officer, member of the remuneration committee, compliance officer, company secretary, authorized representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or Rule 5.46 of the GEM Listing Rules:

**Interests and short positions in the shares and the underlying shares of the share options of the Company as at 31 December 2010**

*(i) Long positions in the shares of the Company:*

| Name of directors | Number of the shares interested and nature of interest Personal | Corporate | Total | Approximate percentage of the total issued share capital of the Company *(%)* |
|---|---|---|---|---|
| Ma Hang Kon, Louis | 9,800,000 | – | – | 0.18 |
| Lai Wing Hung *(Note)* | 75,000,000 | 1,277,680,000 | 1,352,680,000 | 25.39 |
| Fung Hoi Wing, Henry | 550,000 | – | – | 0.01 |
| Lau Ho Wai, Lucas | 950,000 | – | – | 0.02 |

*Note: Of the shareholdings in which Mr. Lai Wing Hung was interested, 1,277,680,000 shares of the Company were held by MCL. Mr. Lai Wing Hung is deemed to be interested in such shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through his 30% personal shareholdings in MCL and through his 100% shareholdings in Merdeka Finance Group Limited ("MFGL"), which in turn held 70% shareholdings in MCL as at 31 December 2010. The remaining 75,000,000 shares of the Company were beneficially owned by Mr. Lai Wing Hung personally.*

*(ii) Long positions in the underlying shares of the share options granted under the share option scheme of the Company:*

| Name of directors | Date of grant of the share options | Exercise period of the share options | Exercise price per share *HK$* | Number of the share options outstanding | Number of the total underlying shares | Approximate percentage of the total issued share capital of the Company *(%)* |
|---|---|---|---|---|---|---|
| Fung Hoi Wing, Henry | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 3,500,000 | 3,500,000 | 0.07 |
| Lau Ho Wai, Lucas | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 3,500,000 | 3,500,000 | 0.07 |
| Lam Kin Kau, Mark | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 3,500,000 | 3,500,000 | 0.07 |

*(iii) Long positions in the underlying shares of the convertible bonds of the Company as at 31 December 2010:*

| Name of the holder of the convertible bonds | Description of equity derivatives | Principal amount of the convertible bonds *HK$* | Number of the total underlying shares | Approximate percentage of the total issued share capital of the Company *(%)* |
|---|---|---|---|---|
| Lai Wing Hung | MCL Convertible Bonds *(Note)* | 504,880,000 | 5,048,800,000 | 94.76 |

*Note: The MCL Convertible Bonds, due on 12 August 2011, are unlisted, interest-free and convertible into the shares of the Company (subject to conversion restrictions and conversion lock-up provisions pursuant to the MCL Convertible Bonds) at the conversion price of HK$0.10 per share of the Company (subject to adjustment pursuant to the MCL Convertible Bonds). Mr. Lai Wing Hung is deemed to be interested in such underlying shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through his 30% personal shareholding in MCL and through his 100% shareholding in MFGL, which in turn held 70% shareholding in MCL as at 31 December 2010.*

Save as disclosed above, as at 31 December 2010, none of the directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or Rule 5.46 of the GEM Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in Shares and Underlying Shares" above and "Share Option Scheme" below, at no time during the year ended 31 December 2010 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2010, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Long positions in the shares of the Company as at 31 December 2010:

| **Name of shareholders** | **Capacity and nature of interest** | *Notes* | **Number of the shares interested** | **Approximate percentage of the total issued share capital of the Company** *(%)* |
|---|---|---|---|---|
| MCL | Directly beneficially owned | | 1,277,680,000 | 23.98 |
| MFGL | Through a controlled corporation | *1* | 1,277,680,000 | 23.98 |
| Manistar Enterprises Limited ("Manistar") | Directly beneficially owned | | 1,331,764,070 | 24.99 |
| CCT Capital International Holdings Limited | Through a controlled corporation | *2* | 1,331,764,070 | 24.99 |
| CCT Telecom Holdings Limited ("CCT Telecom") | Through a controlled corporation | *2* | 1,331,764,070 | 24.99 |
| Mak Shiu Tong, Clement | Directly beneficially owned and through a controlled corporation | *2 and 3* | 1,351,108,070 | 25.35 |

*Notes:*

1. *The 1,277,680,000 shares of the Company were held by MCL, a subsidiary of MFGL which is deemed to be interested in such shares of the Company under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through its shareholding of 70% of the total issued share capital in MCL as at 31 December 2010.*

2. *The shares of the Company were held by Manistar, which is wholly-owned by CCT Capital International Holdings Limited which in turn is a wholly-owned subsidiary of CCT Telecom.*

3. *Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, 1,331,764,070 shares of the Company were beneficially held by Manistar, an indirect wholly-owned subsidiary of CCT Telecom. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom through his controlling interest in the shareholding of CCT Telecom as at 31 December 2010. The remaining 19,344,000 shares of the Company were beneficially owned by Mr. Mak Shiu Tong, Clement personally.*

(ii) Long positions in the underlying shares of the share options granted under the share option scheme of the Company:

| Name of holder of the share options | Date of grant of the share options | Exercise period of the share options | Exercise price per share *HK$* | Number of the share options outstanding | Number of the total underlying shares | Approximate percentage of the total issued share capital of the Company *(%)* |
|---|---|---|---|---|---|---|
| Mak Shiu Tong, Clement | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 22,500,000 | 22,500,000 | 0.42 |

(iii) Long positions in the underlying shares of the convertible bonds of the Company as at 31 December 2010:

| Name of the holders of the convertible bonds | Description of equity derivatives | Principal amount of the convertible bonds *HK$* | Number of the total underlying shares | Approximate percentage of the total issued share capital of the Company *(%)* |
|---|---|---|---|---|
| MCL | MCL Convertible Bonds *(Note)* | 504,880,000 | 5,048,800,000 | 94.76 |
| MFGL | MCL Convertible Bonds *(Note)* | 504,880,000 | 5,048,800,000 | 94.76 |

*Note:* *The MCL Convertible Bonds, due on 12 August 2011, are unlisted, interest-free and convertible into the shares of the Company (subject to conversion restrictions and conversion lock-up provisions pursuant to the MCL Convertible Bonds) at the conversion price of HK$0.10 per share of the Company (subject to adjustment pursuant to the MCL Convertible Bonds). MFGL is deemed to be interested in such underlying shares of the Company under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through its shareholding of 70% of the total issued share capital in MCL as at 31 December 2010.*

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 31 December 2010, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was effective on 7 March 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2010, there were 258,500,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 258,500,000, which represents approximately 4.85% and 4.85% of the total issued share capital of the Company as at 31 December 2010 and the date of this announcement, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 258,500,000 additional ordinary shares of the Company, additional share capital of HK$2,585,000 and share premium of HK$32,262,000 (before the share issue expenses).

Details of the movements of the share options under the Share Option Scheme during the year were as follows:

| | Number of share options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name or category of the participants** | **Outstanding as at 1 January 2010** | **Granted during the period** | **Exercised during the period** | **Cancelled/ Lapsed during the period** | **Outstanding as at 31 December 2010** | **Date of grant of the share options** | **Exercise period of the share options** | **Exercise price of the share options** *(Note 1)* *HK$ per share* | **Price of the shares before the date of grant** *(Note 2)* *HK$ per share* |
| **Executive director** | | | | | | | | | |
| Ma Hang Kon, Louis (resigned on | 5,000,000 | – | 5,000,000 | – | – | 6/10/2008 | 6/4/2009 – 13/8/2011 | 0.195 | 0.185 |
| 15 January 2010 and re-appointed on 23 November 2010) | 5,000,000 | – | – | 5,000,000 | – | 6/10/2008 | 6/10/2009 – 13/8/2011 | 0.195 | 0.185 |
| | 10,000,000 | – | 5,000,000 | 5,000,000 | – | | | | |
| **Independent non-executive directors** | | | | | | | | | |
| Fung Hoi Wing, Henry | 3,500,000 | – | – | – | 3,500,000 | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 0.157 |
| Lau Ho Wai, Lucas | 3,500,000 | – | – | – | 3,500,000 | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 0.157 |
| Lam Kin Kau, Mark | 3,500,000 | – | – | – | 3,500,000 | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 0.157 |
| | 10,500,000 | – | – | – | 10,500,000 | | | | |

| Name or category of the participants | Number of share options: Outstanding as at 1 January 2010 | Granted during the period | Exercised during the period | Cancelled/ Lapsed during the period | Outstanding as at 31 December 2010 | Date of grant of the share options | Exercise period of the share options | Exercise price of the share options *(Note 1)* *HK$ per share* | Price of the shares before the date of grant *(Note 2)* *HK$ per share* |
|---|---|---|---|---|---|---|---|---|---|
| **Others** | | | | | | | | | |
| Mak Shiu Tong, Clement | 22,500,000 | – | – | – | 22,500,000 | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 0.035 |
| Tam Ngai Hung, Terry | 18,000,000 | – | – | – | 18,000,000 | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 0.035 |
| | 40,500,000 | – | – | – | 40,500,000 | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 0.157 |
| Cheng Yuk Ching, Flora | 5,000,000 | – | – | – | 5,000,000 | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 0.035 |
| | 46,000,000 | – | – | – | 46,000,000 | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 0.157 |
| William Donald Putt | 5,000,000 | – | – | – | 5,000,000 | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 0.035 |
| | 3,500,000 | – | – | – | 3,500,000 | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 0.157 |
| Pang Tung Choi | 90,000,000 | – | – | – | 90,000,000 | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 0.157 |
| | 4,000,000 | – | – | – | 4,000,000 | 14/11/2008 | 14/5/2009 – 13/8/2011 | 0.116 | 0.112 |
| Other eligible participants in aggregate | 4,000,000 | – | – | – | 4,000,000 | 14/11/2008 | 14/11/2009 – 13/8/2011 | 0.116 | 0.112 |
| | 9,500,000 | – | – | – | 9,500,000 | 7/7/2009 | 7/7/2009 – 6/3/2012 | 0.160 | 0.157 |
| | 248,000,000 | – | – | – | 248,000,000 | | | | |
| | 268,500,000 | – | 5,000,000 | 5,000,000 | 258,500,000 | | | | |

*Notes:*

1. *The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital.*

2. *The price of the shares of the Company before the date of the grant of the share options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.*

During the year ended 31 December 2010, no additional share option was granted by the Company.

As at the date of this announcement, 43,000,000 share options were granted subsequent to the balance sheet date on 24 January 2011. As a result, the Company had 301,500,000 share options outstanding under the Share Option Scheme, which represented approximately 5.66% of the shares in issue as at that date.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has always recognised the importance of the transparency and accountability to shareholders of the Company (the "Shareholders"). It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders. Throughout the year ended 31 December 2010, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions under the Code on Corporate Governance Practices (the "Code") set out in Appendix 15 to the GEM Listing Rules, except for the following deviations from the code provisions of the Code:

### Code Provision A.2.1

The Code Provision A.2.1 provides that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual.

There has been no separation of the roles of chairman and CEO as set out in the Code Provision A.2.1 during the year ended 31 December 2010. Both Mr. Mak Shiu Tong, Clement and his successor, Mr. Ma Hang Kon, Louis, have assumed the roles of both the Chairman and the CEO. However, subsequent to the year ended, the Company has invited Mr. Yeh Shuen Ji to assume the role as the Chairman of the Company. The Code Provision A.2.1 has since then been complied with.

Both Mr. Mak and Mr. Ma have substantial experience that is essential to fulfilling the role of the Chairman. At the same time, they have the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. Currently, the Board is composed of three executive directors (including the CEO), two non-executive directors (including the Chairman) and three independent non-executive directors (the "INED(s)") with a balance of skills and experience appropriate for the requirements of the Group.

By segregating the roles of the Chairman and the CEO as a balance of power and authority, the Company complies with the Code and will take necessary positive steps to ensure the strict continual compliance of the Code in the long run for good corporate governance.

**Code Provision A.4.1**

The Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

The two non-executive directors of the Company are appointed for a terms of two years, but none of the existing INEDs of the Company is appointed for a specific term. However, all non-executive directors, including INEDs, of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company (the "AGM") in accordance with the articles of association of the Company.

**Code Provision A.4.2**

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the articles of association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following AGM and shall then be eligible for re-election.

The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

Pursuant to the articles of association of the Company, the Chairman and the managing director of the Company shall not be subject to retirement by rotation or also not be taken into account in determining the number of directors to retire in each year. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the directors of the Company other than the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

In the opinion of the directors of the Company, the Company has complied with the code provisions under the Code set out in Appendix 15 to the GEM Listing Rules throughout the financial year under review, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company has been disclosed in the corporate governance report which will be contained in the 2010 Annual Report of the Company.

### Model Code for Securities Transactions by the Directors of the Company

The Company has not adopted a code of conduct regarding the securities transactions by the directors of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2010.

### Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in line with the code provisions under the Code. The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, and two executive directors, namely Mr. Ma Hang Kon, Louis and Mr. Lai Wing Hung. The chairman of the Remuneration Committee is elected by the members who are present at the meeting.

### Audit Committee

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The Audit Committee consists of three members comprising three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The chairman of the Audit Committee is elected by the members who are present at the meeting. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to give advice on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2010, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

## INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY

Each of the INEDs of the Company has filed a written confirmation to the Company confirming his independence pursuant to Rule 5.09 of the GEM Listing Rules and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. As at the date of this announcement, the INEDs of the Company are still considered to be independent. The INEDs of the Company are not appointed for any specific terms, but they are subject to retirement by rotation and re-election at the AGM in accordance with the articles of association of the Company.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2010.

## PUBLICATION OF THE ANNUAL RESULTS, ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

The results announcement of the Company for the year ended 31 December 2010 will be published and remains on the websites of the Company at www.merdeka.com.hk and http://www.irasia.com/listco/hk/merdeka and will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its publication. The Company's annual report and corporate governance report will be despatched to the Shareholders and made available on the websites of the Company and the Stock Exchange on or before 31 March 2011.

## ANNUAL GENERAL MEETING

The notice of the 2011 AGM of the Shareholders will be published and despatched to the Shareholders in the manner as required by the GEM Listing Rules in due course.

By Order of the Board of
**MERDEKA RESOURCES HOLDINGS LIMITED**
**Ma Hang Kon, Louis**
*Executive Director and Chief Executive Officer*

Hong Kong, 25 March 2011

As at the date of this announcement, the Directors are:

*Executive Directors:*
Mr. Ma Hang Kon, Louis *(Chief Executive Officer)*
Mr. Lai Wing Hung
Mr. Wong Shui Lung

*Non-executive Directors:*
Mr. Yeh Shuen Ji *(Chairman)*
Mr. Bai Baohua

*Independent Non-executive Directors:*
Mr. Lam Kin Kau, Mark
Mr. Fung Hoi Wing, Henry
Mr. Lau Ho Wai, Lucas

*This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its publication and will be published and remains on the websites of the Company at www.merdeka.com.hk and http://www.irasia.com/listco/hk/merdeka.*