

MERDEKA

Merdeka Resources Holdings Limited

萬德資源集團有限公司*

STOCK CODE 股份代號：8163

* for identification purposes only

* 僅供識別

INTERIM REPORT 2011

二零一一年中期報告

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This report, 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)的特色

創業板的定位，乃為相比起其他在聯交所上市的公司帶有較高投資風險之公司提供一個上市的市場。有意投資的人士應瞭解投資於該等公司的潛在風險，並應經過審慎周詳的考慮後方作出投資決定。創業板的較高風險及其他特色表示創業板較適合專業及其他資深投資者。

由於創業板上市公司新興的性質所然，在創業板買賣的證券可能會較於主板買賣之證券承受較大的市場波動風險，同時無法保證在創業板買賣的證券會有高流通量的市場。

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* 僅供識別

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

	Six months ended 30 June		% increase/ (decrease)
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	
– Turnover	4,813	4,441	8.4%
– Gross profit	1,075	66	1,528.8%
– Gross profit margin	22.3%	1.5%	
– Loss before operating expenses and finance costs	(5,066)	(2,786)	81.8%
– Operating expenses	(11,321)	(10,747)	5.3%
– Finance costs (non-cash)	(17,405)	(17,124)	1.6%
Loss for the period	(33,792)	(30,657)	10.2%

Merdeka Resources Holdings Limited (the “Company”) and its subsidiaries (the “Group”) recorded a turnover of HK\$4,813,000 for the six months ended 30 June 2011 which is attributable to sale of logs in forestry business. Sale of logs started from March 2011 contributing to all sales during the period (2010: HK\$4,441,000 from the trading business). The gross profit of sale increased by HK\$1,009,000 during this period resulted from sale of logs in Indonesia, comparing with trading sale in Mainland China with minimum gross profit in the last period.

The Group posted a loss of HK\$33,792,000 for the six months ended 30 June 2011 (2010: HK\$30,657,000). The loss was mainly caused by the operating expenses of HK\$11,321,000 (2010: HK\$10,747,000) and the non-cash accounting imputed interest charge of HK\$17,405,000 (2010: HK\$17,124,000) on the liability component of the convertible bonds during the period under review.

BUSINESS REVIEW

During the period under review, the Group was principally engaged in (i) the timber business including the upstream operations of harvesting timber and the downstream operations of production of timber and wood products; (ii) the plantation business; and (iii) the trading business.

The Group continues to make good progress during the period under review. The two sawmill factories and the veneer factory together with peripheral equipment have been fully commissioned for production. We continue to building on the initial infrastructure including roads and bridges to support the forestry operations as well as the future plantation business. Steady progress has been made in the logging activity. We continue to upkeep the nursery with professional care for planting in the near future.

On 30 May 2011, the Company entered into a supplemental deed (the "Supplemental Deed") with Merdeka Commodities Limited ("MCL") to, among other things, extend the maturity date of the convertible bonds, that were issued by the Company to MCL on 12 August 2008 as part of consideration to acquire the forestry business (the "MCL Convertible Bonds"), to 12 August 2014. The supplemental deed became unconditional after the resolution for approving the supplemental deed and the transactions contemplated thereunder was duly passed by the independent shareholders by way of poll at an extraordinary general meeting of the shareholders of the Company held on 4 July 2011 (the "EGM") and the conditional listing approval for shares that may be issued on exercise of the conversion rights attached to the MCL Convertible Bonds was granted by the Stock Exchange on 19 July 2011.

OUTLOOK

The Group is confident about the forestry and plantation resources business. Our rights to the forestland of over 300,000 hectares represent 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.

CAPITAL STRUCTURE AND GEARING RATIO

	30 June 2011 (Unaudited)		31 December 2010 (Audited)	
	HK\$'000	Relative %	HK\$'000	Relative %
Convertible bonds (liability component)	483,360	53.8%	485,652	53.3%
Total borrowings	483,360	53.8%	485,652	53.3%
Equity	414,672	46.2%	426,000	46.7%
Total capital employed	898,032	100.0%	911,652	100.0%

The Group's gearing ratio was 53.8% as at 30 June 2011 (31 December 2010: 53.3%). The gearing ratio was maintained at a relatively stable level during the period under review.

Other than the convertible bonds, the Group has no other borrowings and there is no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current assets	62,089	74,520
Current liabilities	2,296	488,050
Current ratio	2,704.2%	15.3%

Current ratio as at 30 June 2011 was 2,704.2% (31 December 2010: 15.3%), reflecting healthy liquidity and sound financial position of the Group. The increase was a result of extension of MCL Convertible Bonds on 4 July 2011 for another three years effective from 12 August 2011. The convertible bonds was reclassified as non-current liability as at 30 June 2011 due to the approved extension of MCL convertible bond.

As at 30 June 2011, the Group's total cash balance amounted to HK\$50,999,000 (31 December 2010: HK\$68,569,000), of which HK\$3,976,000 (31 December 2010: Nil) was pledged for banking facilities. Most of the Group's cash was placed in Hong Kong dollars with licensed banks in Hong Kong. The available cash will provide sufficient funds to the Group for all its cash requirements, including working capital and capital expenditure needs.

FOREIGN CURRENCY EXPOSURE

The Group's reporting currency is in Hong Kong dollar. During the period under review, most of the transactions of Group's forestry business were denominated in Hong Kong dollar, Indonesian Rupiah or 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 insignificant during the period ended 30 June 2011. In addition, the forestry business did not have any material exposure to foreign exchange risk during the period under review as cash was translated to Indonesian Rupiah or US dollars only when necessary.

The Board considers that the Group's exposure to foreign exchange risk is not significant at present and therefore, no hedging transaction has been entered into during the period. The management will monitor closely to ensure appropriate measures are taken against any adverse impact on such exchange risk.

CONTINGENT LIABILITIES

As at 30 June 2011, 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 period under review.

SIGNIFICANT INVESTMENTS

The Group did not acquire or hold any significant investment during the six months ended 30 June 2011.

PLEDGE OF ASSETS

As at 30 June 2011, the Group did not have any pledge of assets.

CAPITAL COMMITMENTS

The Group has no capital commitment as at 30 June 2011 (31 December 2010: HK\$22,000).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group has 200 employees (31 December 2010: 157) mainly stationed in Hong Kong and Indonesia. The Group's remuneration policies and packages to employees are based on the principles of equality, motivation, performance and prevailing market practices. Remuneration packages are normally reviewed on an annual basis. In addition to general basic payment, other benefits including provident fund contribution, medical insurance coverage and performance related bonus are also available to employees. Besides, share options may also be granted to eligible employees and persons of the Group. As at 30 June 2011, there were outstanding share options of 365,500,000 (31 December 2010: 258,500,000).

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of the Company is pleased to announce that the unaudited condensed consolidated interim results of the Group for the three months and the six months ended 30 June 2011, together with the comparative unaudited figures for the corresponding period in 2010, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Three months ended 30 June		Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	2	2,894	1,445	4,813	4,441
Cost of sales		(1,961)	(1,424)	(3,738)	(4,375)
Gross profit		933	21	1,075	66
Other income		1	36	9	37
Operating expenses		(5,856)	(3,976)	(11,321)	(10,747)
Administrative expenses		(3,285)	(1,589)	(4,804)	(2,889)
Equity-settled share option expenses		(1,162)	–	(1,346)	–
Finance costs	5	(8,723)	(8,388)	(17,405)	(17,124)
LOSS BEFORE TAX	4	(18,092)	(13,896)	(33,792)	(30,657)
Income tax	6	–	–	–	–
LOSS FOR THE PERIOD		(18,092)	(13,896)	(33,792)	(30,657)
Loss attributable to:					
Owners of the Company		(17,353)	(12,005)	(32,372)	(29,359)
Non-controlling interests		(739)	(1,891)	(1,420)	(1,298)
		(18,092)	(13,896)	(33,792)	(30,657)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
– Basic		(HK0.32 cents)	(HK0.23 cents)	(HK0.60 cents)	(HK0.57 cents)
– Diluted		(HK0.32 cents)	(HK0.23 cents)	(HK0.60 cents)	(HK0.57 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2011*

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(18,092)	(13,896)	(33,792)	(30,657)
Other comprehensive loss, after tax:				
Exchange difference on translating foreign operations	–	(92)	–	(485)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(18,092)	(13,988)	(33,792)	(31,142)
Total comprehensive loss attributable to:				
Owners of the Company	(17,353)	(12,097)	(32,372)	(29,844)
Non-controlling interests	(739)	(1,891)	(1,420)	(1,298)
	(18,092)	(13,988)	(33,792)	(31,142)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		35,454	37,101
Forest concessions	9	832,471	833,535
Biological assets		6,635	6,635
Total non-current assets		874,560	877,271
Current assets			
Trade receivables	10	4,663	–
Prepayments, deposits and other receivables		6,427	5,951
Pledged deposits		3,976	–
Cash and cash equivalents		47,023	68,569
Total current assets		62,089	74,520
Total assets		936,649	951,791
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Issued capital	12	55,281	53,281
Reserves		359,391	372,719
		414,672	426,000
Non-controlling interests		36,321	37,741
Total equity		450,993	463,741
Non-current liabilities			
Convertible bonds	11	483,360	–
Current liabilities			
Other payables and accruals		2,296	2,398
Convertible bonds	11	–	485,652
Total current liabilities		2,296	488,050
Total liabilities		485,656	488,050
Total equity and liabilities		936,649	951,791
Net current assets/(liabilities)		59,793	(413,530)
Total assets less current liabilities		934,353	463,741

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company									
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Equity component of		Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	
						convertible bonds (Unaudited) HK\$'000	Acc- umulated losses (Unaudited) HK\$'000			
										Total (Unaudited) HK\$'000
At 1 January 2011	53,281	463,568	66,710	12,915	49	95,614	(266,137)	426,000	37,741	463,741
Total comprehensive loss for the period	-	-	-	-	-	-	(32,372)	(32,372)	(1,420)	(33,792)
Issue of new shares upon conversion of convertible bonds	2,000	21,485	-	-	-	(3,787)	-	19,698	-	19,698
Equity-settled share option arrangement	-	-	-	1,346	-	-	-	1,346	-	1,346
At 30 June 2011	55,281	485,053	66,710	14,261	49	91,827	(298,509)	414,672	36,321	450,993
At 1 January 2010	48,231	412,400	66,710	13,643	478	105,083	(202,208)	444,337	40,901	485,238
Total comprehensive loss for the period	-	-	-	-	(485)	-	(29,359)	(29,844)	(1,298)	(31,142)
Issue of new shares upon conversion of convertible bonds	5,000	49,880	-	-	-	(9,469)	-	45,411	-	45,411
Issue of new shares upon exercise of share options	50	1,288	-	(363)	-	-	-	975	-	975
At 30 June 2010	53,281	463,568	66,710	13,280	(7)	95,614	(231,567)	460,879	39,603	500,482

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2011*

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash flows used in operating activities	(16,591)	(15,011)
Net cash flows used in investing activities	(979)	(4,268)
Net cash flows generated from financing activities	–	975
Net decrease in cash and cash equivalents	(17,570)	(18,304)
Effect of foreign exchange rate changes, net	–	(485)
Cash and cash equivalents at beginning of period	68,569	101,439
Cash and cash equivalents at end of period	50,999	82,650
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	47,023	82,650
Pledged deposits	3,976	–
	50,999	82,650

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include the Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention. These unaudited condensed consolidated interim results are presented in Hong Kong dollar and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim results should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2010 (the “2010 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s 2010 Annual Report, except for the impact of the adoption of the Standards and Interpretation described below.

The following new and revised HKFRSs have been adopted by the Company with effect from 1 January 2011. The adoption of the new and revised HKFRSs does not have any significant financial impact on the interim financial statements.

HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

2. REVENUE

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 six-month period under review.

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
	Sale of logs attributable to the forestry business	2,894	–	4,813
Sale of goods attributable to the trading business	–	1,445	–	4,441

3. 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 engages in the trading of products, components and accessories;
- (b) the forestry business segment engages 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.

3. SEGMENT REPORTING *(continued)*

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 amortisation 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 convertible bonds and corporate liabilities as these liabilities are managed on a group basis.

For the six months ended 30 June 2011

	Trading Business (Unaudited) HK\$'000	Forestry Business (Unaudited) HK\$'000	Plantation Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Reconciliation (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	-	4,813	-	4,813	-	4,813
Operating loss	-	(12,256)	(857)	(13,113)	-	(13,113)
Interest income	-	3	-	3	6	9
Amortization of forest concessions	-	(1,064)	-	(1,064)	-	(1,064)
Finance costs (non-cash)	-	(17,405)	-	(17,405)	-	(17,405)
Reconciled items:						
Equity-settled share option expense	-	-	-	-	(1,346)	(1,346)
Unallocated expenses	-	-	-	-	(873)	(873)
Loss before tax	-	(30,722)	(857)	(31,579)	(2,213)	(33,792)
Additions for non-current assets	-	988	-	988	-	988
Depreciation	-	2,630	-	2,630	-	2,630
Amortization of forest concessions	-	1,064	-	1,064	-	1,064

3. SEGMENT REPORTING *(continued)*

For the six months ended 30 June 2010

	Trading Business (Unaudited) HK\$'000	Forestry Business (Unaudited) HK\$'000	Plantation Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Reconciliation (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	4,441	–	–	4,441	–	4,441
Operating profit/(loss)	13	(10,290)	(2,708)	(12,985)	–	(12,985)
Interest income	–	14	–	14	9	23
Finance costs (non-cash)	–	(17,124)	–	(17,124)	–	(17,124)
Reconciled items:						
Unallocated expenses	–	–	–	–	(571)	(571)
Profit/(loss) before tax	13	(27,400)	(2,708)	(30,095)	(562)	(30,657)
Additions for non-current assets	–	4,291	–	4,291	–	4,291
Depreciation	–	2,444	–	2,444	–	2,444

As at 30 June 2011

	Trading Business (Unaudited) HK\$'000	Forestry Business (Unaudited) HK\$'000	Plantation Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Reconciliation (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment assets	16	883,958	6,635	890,609	–	890,609
Reconciled items:						
Cash and cash equivalents	–	–	–	–	45,939	45,939
Unallocated assets	–	–	–	–	101	101
Total assets	16	883,958	6,635	890,609	46,040	936,649
Segment liability	160	2,060	–	2,220	–	2,220
Convertible bonds	–	483,360	–	483,360	–	483,360
Reconciled items:						
Unallocated liabilities	–	–	–	–	75	75
Total liabilities	160	485,420	–	485,580	75	485,655

3. SEGMENT REPORTING (continued)

As at 31 December 2010

	Trading Business (Audited) HK\$'000	Forestry Business (Audited) HK\$'000	Plantation Business (Audited) HK\$'000	Total (Audited) HK\$'000	Reconciliation (Audited) HK\$'000	Group Total (Audited) HK\$'000
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 liability	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

3. SEGMENT REPORTING *(continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Hong Kong	4,813	–
Mainland China	–	4,441

The revenue information from operations above is based on the location of the customers.

(b) Non-current assets

	30 June	31 December
	2011 (Unaudited) HK\$'000	2010 (Audited) HK\$'000
Indonesia	865,931	869,308
Hong Kong	8,629	7,963
	874,560	877,271

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

Information about major customers

Revenue from operations of HK\$4,813,000 for the six months period ended 30 June 2011 was derived from sales of logs in the forestry business segment attributable to two customers. In 2010, revenue of HK\$4,441,000 was derived from sales in the trading business segment attributable to a single customer.

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	1,295	1,192	2,630	2,444
Amortization of forest concessions	1,064	–	1,064	–
Staff costs (including directors' emoluments)	3,681	2,705	7,582	5,404

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on convertible bonds	8,723	8,388	17,405	17,124

The charge represents the imputed interest on the liability component of the convertible bonds for the periods.

6. 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 period (2010: Nil). Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2010: Nil).

There was no income tax relating to the other comprehensive income during the period (2010: Nil).

7. DIVIDEND

No interim dividend has been paid or declared by the Company or any of its subsidiaries during the six months ended 30 June 2011 (2010: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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 period.

The calculation of basic loss per share is based on:

	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<u>Loss</u>				
Loss attributable to owners of the Company	17,353	12,005	32,372	29,359
<u>Shares</u>				
Weighted average number of ordinary shares in issue during the period	5,464,852,297	5,328,149,000	5,396,878,282	5,145,331,320

No adjustment has been made to the basic loss per share presented for the periods in respect of a dilution as the impact of the convertible bonds and share options outstanding had anti-dilutive effect on the basic loss per share.

9. FOREST CONCESSIONS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Forest concessions	833,801	833,801
Less: Accumulated amortization	(1,330)	(266)
	832,471	833,535

The Group acquired certain forest concession licenses 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 and to carry out plantation activities in 200,000 hectares within the 313,500 hectares of the concession area.

Amortization of the forest concessions is based on the unit of production over the estimated useful lives of the forest concession rights.

10. TRADE RECEIVABLES

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current to 30 days	2,894	–
31 to 60 days	–	–
61 to 90 days	–	–
91 to 120 days	1,769	–
	4,663	–

The Group normally allows credit terms for established customers ranging from 30 to 120 days.

11. CONVERTIBLE BONDS

On 12 August 2008, the Company issued convertible bonds to Merdeka Commodities Limited ("MCL") with an aggregate nominal value of approximately HK\$776,880,000 (the "MCL Convertible Bonds") as part of the consideration for the acquisition of forest concessions in Indonesia.

Subject to the restrictions specified below, the MCL Convertible Bonds are convertible at the option of the bondholders into ordinary shares in the Company at the initial conversion price of HK\$0.1 per share (subject to adjustment as provided in the terms and conditions of the MCL Convertible Bonds) at any time from the date of issue and ending on the fifth business day before the third anniversary of the date of issue:

- The bondholders do not have the right to convert any principal amount of the MCL Convertible Bonds into new shares of the Company thereof, if upon such conversion, MCL and the parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Codes on Takeovers and Mergers and Share Repurchases as being the level for triggering a mandatory general offer) or more of the enlarged issued share capital of the Company at the date of relevant conversion; and
- The conversion of the MCL Convertible Bonds will not cause the Company to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.

The MCL Convertible Bonds are unsecured, interest-free and have a maturity date of 12 August 2011. Unless converted into the shares of the Company or early repaid by the Company, the outstanding balance of the MCL Convertible Bonds will be redeemed in full on maturity. The outstanding principal amount of the MCL Convertible Bonds as at 30 June 2011 was HK\$484,880,000.

On 30 May 2011, the Company and MCL entered into a Supplemental Deed to (a) extend the maturity date of the MCL Convertible Bonds for three years to 12 August 2014 accordingly; (b) allow the Company, at its discretion, to redeem the whole or part of the outstanding MCL Convertible Bonds of the bondholders on a pro rata basis prior to their maturity date; and (c) remove the Conversion Restriction (as defined therein the circular to the shareholders of the Company dated 15 June 2011).

At an extraordinary general meeting of the shareholders of the Company held on 4 July 2011, the resolution for approving the Supplemental Deed and the transactions contemplated thereunder was duly passed by the independent shareholders by way of poll.

Conditional listing approval for the Conversion Shares (as defined therein the circular to the shareholders of the Company dated 15 June 2011) that may be issued on exercise of the conversion rights attached to the MCL Convertible Bonds was granted by the Stock Exchange on 19 July 2011, as a result, the Supplemental Deed becomes unconditional and its terms will take effect as from 12 August 2011.

12. SHARE CAPITAL

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid: 5,528,149,000 (31 December 2010: 5,328,149,000) ordinary shares of HK\$0.01 each	55,281	53,281

13. CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

14. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	436	–
In the second to fifth years, inclusive	218	–
	654	–

15. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had the following commitments at the end of the reporting date:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Contracted but not provided for purchase of plant and machinery and construction work	–	22
	–	22

16. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period's presentation.

17. EVENT AFTER THE REPORTING PERIOD

On 4 July 2011, an EGM was held for approving the Supplemental Deed between the Company and MCL and the resolution was duly passed by the independent shareholders.

On 19 July 2011, conditional listing approval for the Conversion Shares on exercise of the conversion rights attached to the MCL Convertible Bonds was granted by the Stock Exchange. As a result, the Supplemental Deed becomes unconditional and its terms will take effect as from 12 August 2011.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, 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 30 June 2011

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

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate	Total	
Ma Hang Kon, Louis	9,800,000	—	—	0.18
Lai Wing Hung (<i>Note</i>)	75,000,000	1,277,680,000	1,352,680,000	24.47
Fung Hoi Wing, Henry	550,000	—	—	0.01

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 30 June 2011. The remaining 75,000,000 shares of the Company were beneficially owned by Mr. Lai Wing Hung personally.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)***Interests and short positions in the shares and the underlying shares of the share options of the Company as at 30 June 2011** *(continued)*

- (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 (%)
Ma Hang Kon, Louis	24/1/2011	24/10/2011 – 6/3/2012	0.078	40,000,000	40,000,000	0.72
Yeh Shuen Ji	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.36
Bai Baohua	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.36
Wong Shui Lung	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.36
Fung Hoi Wing, Henry	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.06
Lau Ho Wai, Lucas	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.06
Lam Kin Kau, Mark	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.06

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)***Interests and short positions in the shares and the underlying shares of the share options of the Company as at 30 June 2011** *(continued)*

(iii) Long positions in the underlying shares of the convertible bonds of the Company:

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 <i>(Note)</i>	484,880,000	4,848,800,000	87.71

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 30 June 2010.

Save as disclosed above, as at 30 June 2011, 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 period for the six months ended 30 June 2011 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 30 June 2011, 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:

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	23.11
MFGL	Through a controlled corporation	1	1,277,680,000	23.11
Manistar	Directly beneficially owned		1,331,764,070	24.09
CCT Capital International Holdings Limited	Through a controlled corporation	2	1,331,764,070	24.09
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	2	1,331,764,070	24.09
Mak Shiu Tong, Clement	Directly beneficially owned and through a controlled corporation	2 and 3	1,351,108,070	24.44

Notes:

- 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 30 June 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

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

Notes: (continued)

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 30 June 2011. 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 <i>(Note)</i>	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.41

Note: On 1 August 2011, Mr. Mak Shiu Tong, Clement exercised all 22,500,000 outstanding share options at a price of HK\$0.038 per share resulting in the issue of 22,500,000 shares of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

(iii) Long positions in the underlying shares of the convertible bonds of the Company:

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 (%)
MCL	MCL Convertible Bonds <i>(Note)</i>	484,880,000	4,848,800,000	87.71
MFGL	MCL Convertible Bonds <i>(Note)</i>	484,880,000	4,848,800,000	87.71

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 30 June 2011.

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2011, 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 30 June 2011, excluding the March Grant (as defined below), there were 365,500,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 365,500,000, which represents approximately 6.61% and 6.30% of the total issued share capital of the Company as at 30 June 2011 and the date of this report respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 365,500,000 additional ordinary shares of the Company, additional share capital of HK\$3,655,000 and share premium of HK\$43,698,000 (before the share issue expenses).

SHARE OPTION SCHEME (continued)

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

Name or category of the participants	Number of share options					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
	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2011				
Executive director									
Ma Hang Kon, Louis	-	40,000,000	-	-	40,000,000	24/1/2011	24/10/2011 – 6/3/2012	0.078	0.076
Wong Shui Lung (Note 3)	-	20,000,000	-	-	20,000,000	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
	-	60,000,000	-	-	60,000,000				
Non-executive directors									
Yeh Shuen Ji (Note 3)	-	20,000,000	-	-	20,000,000	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
Bai Baohua (Note 3)	-	20,000,000	-	-	20,000,000	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
	-	40,000,000	-	-	40,000,000				
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				
Employees and other eligible participants									
Employees (Note 3)	-	3,000,000	-	-	3,000,000	24/1/2011	24/10/2011 – 6/3/2012	0.078	0.076
	-	4,000,000	-	-	4,000,000	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
Other eligible participants (Note 4)	50,500,000	-	-	-	50,500,000	5/7/2006	14/8/2006 – 13/8/2011	0.038	0.035
	4,000,000	-	-	-	4,000,000	14/11/2008	14/5/2009 – 13/8/2011	0.116	0.112
	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
	180,000,000	-	-	-	180,000,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	248,000,000	7,000,000	-	-	255,000,000				
	258,500,000	107,000,000	-	-	365,500,000				

SHARE OPTION SCHEME *(continued)**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.
3. During the period, a total of 64,000,000 share options were granted to Mr. Yeh Shuen Ji, Mr. Bai Baohua and Mr. Wong Shui Lung and two employees on 25 March 2011 ("March Grant") but were subsequently cancelled and re-granted on 6 April 2011 pursuant to the requirements of the GEM Listing Rules.
4. On 1 August 2011, certain eligible participants exercised 50,500,000 outstanding share options at the price of HK\$0.038 per share resulting in the issue of 50,500,000 shares of the Company.

Save as disclosed above, at the date of approval of these unaudited condensed consolidated interim financial statements, no other share options were exercised subsequent to the balance sheet date.

During the period for the six months ended 30 June 2011, a total of 107,000,000 share options were granted by the Company on 24 January 2011 and 6 April 2011 respectively, among which 100,000,000 share options were granted to four directors of the Company. The directors of the Company have estimated the following theoretical valuations of the said 107,000,000 share options granted under the Share Option Scheme during the period, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

Name of grantees	Number of share options granted during the period	Theoretical value of the share options HK\$
Ma Hang Kon, Louis	40,000,000	698,605
Wong Shui Lung	20,000,000	665,400
Yeh Shuen Ji	20,000,000	665,400
Bai Baohua	20,000,000	665,400
Others	7,000,000	185,475
	107,000,000	2,880,280

SHARE OPTION SCHEME *(continued)*

The fair value of the share options granted during the period for the six months ended 30 June 2011 was HK\$2,880,280 (30 June 2010: Nil) of which the Group recognised a share option expense of HK\$1,346,000 (30 June 2010: Nil) during the period.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.00
Expected volatility (%)	59 – 69
Historical volatility (%)	59 – 69
Risk-free interest rate (%)	0.23 – 0.28
Expected life of share options (year)	0.73 – 0.93
Closing share price at grant date (HK\$)	0.078 – 0.143

The expected life of the share options is based on management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

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 listed shares of the Company during the period for the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the directors of the Company, the Company has complied with the code provisions under the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 15 to the GEM Listing Rules throughout the period for the six months ended 30 June 2011, except for the following deviations from the code provisions of the CG Code:

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 term of two years, but none of the existing independent non-executive directors (the "INED(s)") of the Company is appointed for a specific term. However, all 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 of the Company 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 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 of the Company 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 of the Company will rotate at least once every three years in order to comply with the Code Provision A.4.2.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2010 Annual Report of the Company issued in March 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

(continued)

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 period for the six months ended 30 June 2011.

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 CG Code. The Remuneration Committee consists of five members comprising three independent non-executive directors (“INED(s)”), 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

(continued)

Audit Committee *(continued)*

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 advise 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 unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2011, 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.

BOARD OF DIRECTORS

As at the date of this report, the directors of the Company 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

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

Hong Kong, 11 August 2011

www.merdeka.com.hk

Merdeka Resources Holdings Limited

Room 1903A, The Sun's Group Centre,
200 Gloucester Road, Wanchai, Hong Kong

Tel : 852 3101 2929

Fax : 852 3568 7465

萬德資源集團有限公司

香港灣仔告士打道200號新銀集團中心1903A室

電話：852 3101 2929

傳真：852 3568 7465