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: 8163)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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.

* *For identification purposes only*

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of Merdeka Resources Holdings Limited (the "Company"), I am pleased to present the 2011 annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011. During the year, the Group's principal businesses continued to be forestry, plantation and trading.

BUSINESS REVIEW

The Group's forestry business included upstream operation of logging and downstream operation of timber processing in Papua, Indonesia. In 2011, macro business environment for forestry and timber products generally remained positive. According to the Indices of Market Prices for Non-Fuel and Fuel Commodities published by International Monetary Fund (the "IMF Indices"), the index of timber increased from 101.6 in 2010 to 111.6 in 2011. While political uncertainty in the Middle-East and North Africa, sovereign debts crisis in the United States and Europe and disaster of earthquake and tsunami in Japan had affected the global economic recovery in 2011, the increases in money supply by major economies generally pushed up the price levels of commodities. Japan's post earthquake reconstruction activities also increased the demand of timber. In addition, despite its central government's implementation of various measures to curb the overheating of its economy, China still recorded a 9% economy growth in 2011, notably contributed by the housing and infrastructure sector. According to the State Forestry Administration of the PRC, China's total value of trade in forest products amounted to US$97.7 billion for the first 10 months of 2011, representing 30.4% growth compared to the same period of 2010. In particular, the import amount was US$53.5 billion for the period, 41.5% higher than that in 2010. Rapid urbanization and a growing middle class population in China will continue to drive demand for timber and other consumer products.

The Group's plantation business during the year represented mainly the plantation of seedlings of palm trees in Papua, Indonesia. As a major vegetable oil, palm oil is commonly used in food products. In addition, like other vegetable oils, it can be used to create biodiesel. The general inflation pressure in food-related products, as well as the increasing demand for fuel, driven by emerging economies like China and India, continued to provide strong support for the palm oil price in 2011. According to the IMF Indices, the index of palm oil increased from 233.9 in 2010 to 292.8 in 2011.

OPERATION REVIEW

After the change of management and restructuring of the board of directors of the Company (the "Board") in late 2010 and early 2011, the Group monitored closely and devoted resources to its operations in Indonesia. In 2011, we continued to invest in infrastructure, including the building of roads and bridges to support our forestry and plantation businesses. During the year, there was steady progress in our upstream forestry operation. Contributed by our logging activities, we first recorded revenue from sales of logs in 2011, amounting to approximately HK$4.8 million.

In respect of our plantation business, the management performed extensive assessment on the condition of palm tree seedlings and reviewed the Group's previous subcontracting arrangement in 2011. To exercise closer and better control and having taken into account the relevant costs and benefits, the management decided to build up an in-house team to take care of the plantings. Contributed by the growth status of the seedlings, a gain of approximately HK$2.9 million was recognized as the change in fair value of biological assets less cost to sell. With more land cleared resulting from our logging activities, there will be greater area for the plantation operation. Cash flows generated from logging and wood processing operations will be utilized to support the plantation operation before the production and sales of palm oil. We believe that the Group's business model with a combination of forestry and plantation businesses can provide the Group with sustainable growth opportunities.

During 2011, the Group recorded sales of approximately HK$4.1 million from its trading business.

OUTLOOK

As approved by independent shareholders in July 2011, the Company extended the maturity date of its convertible bonds with outstanding principal of approximately HK$462 million issued to its shareholder, Merdeka Commodities Limited, by 3 years from 12 August 2011 to 12 August 2014. With such extension, the management can continue to concentrate on business development and devote resources to support its operations.

The management is actively looking for new opportunities to broaden the sources of revenues and cash inflows of the Group. On 15 November 2011, the Group entered into a memorandum of understanding in relation to the proposed acquisition of 5 million metric tones of tailings located in and near the city of Timika, Papua, Indonesia. On 13 February 2012, a supplemental memorandum of understanding was entered into as additional time is required for the parties to finalize, fine-tune and negotiate further the transaction structure and commercial terms. In addition to agriculture and forestry, there are ample natural resources in Papua, Indonesia. Leveraging on our experience and relationship with government authorities in the region, the Group will continue to consider any suitable business opportunities, taking into account the cash flow requirement and associated business risk.

As to the existing operations, although the contribution from forestry business in 2011 was small relative to its operating costs, the management expects that the revenue and profitability will improve in 2012. Operationally, the Group will focus on maximizing the utilization of its resources in the most efficient manner while keeping a tight control over the cost of operations. We will continue to work on streamlining and refining our operations and increasing the productivity of our workforce and plant and machinery, so as to improve efficiency.

We reported a loss attributable to owners of the Company for 2011 of HK$67.2 million, representing an increase of 4.5% compared to 2010. The loss is primarily attributable to the imputed interest charge of HK$35.4 million on the liability component of the convertible bonds and the necessary strategic investment in people and infrastructure, as well as providing the foundation for our future operations.

APPRECIATION

On behalf of the Board, I would like to thank all shareholders for your support and confidence in the Company. I believe that we will deliver long-term benefits to shareholders with improvement in the Group's performance and I look forward to sharing the rewards from our current hard work with you in the near future. I would also like to express my gratitude to our management team and all our staff for their hard work and contribution in the execution of the Group's strategies and operations during the past year. Last but not the least, I wish to thank all customers, suppliers, business partners, bankers, government authorities for their continuous support.

Ma Hang Kon, Louis
Chief Executive Officer

Hong Kong
22 March 2012

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 2011, together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
REVENUE	*5*	**8,891**	6,715
Cost of sales		**(8,096)**	(6,614)
Gross profit		**795**	101
Other income and other net gains	*5*	**43**	516
Operating expenses		**(19,135)**	(28,888)
Administrative expenses		**(15,862)**	(10,268)
Change in fair value of biological assets less cost to sell		**2,944**	4,843
Equity-settled share option expenses		**(2,880)**	–
Loss from operations		**(34,095)**	(33,696)
Finance costs	*7*	**(35,431)**	(33,758)
LOSS BEFORE TAX	*6*	**(69,526)**	(67,454)
Income tax	*8*	**–**	–
LOSS FOR THE YEAR		**(69,526)**	(67,454)
Attributable to:			
Owners of the Company		**(67,157)**	(64,294)
Non-controlling interests		**(2,369)**	(3,160)
Loss for the year		**(69,526)**	(67,454)
LOSS PER SHARE			
Basic and diluted	*10*	**(HK1.2 cents)**	(HK1.2 cents)
DIVIDEND	*9*	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(69,526)**	(67,454)
Other comprehensive loss		
Exchange difference on translating of financial statements of overseas subsidiaries	**(21)**	(429)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(69,547)**	(67,883)
Total comprehensive loss attributable to:		
Owners of the Company	**(67,178)**	(64,723)
Non-controlling interests	**(2,369)**	(3,160)
	(69,547)	(67,883)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**39,424**	37,101
Forest concessions	*11*	**829,811**	833,535
Biological assets	*12*	**9,579**	6,635
Total non-current assets		**878,814**	877,271
Current assets			
Trade receivables	*13*	**2,878**	–
Prepayments, deposits and other receivables		**2,314**	5,951
Inventories		**1,914**	–
Cash and cash equivalents		**35,681**	68,569
Total current assets		**42,787**	74,520
Total assets		**921,601**	951,791
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Issued capital		**63,786**	53,281
Reserves		**516,808**	372,719
		580,594	426,000
Non-controlling interests		**35,372**	37,741
Total equity		**615,966**	463,741
Non-current liabilities			
Convertible bonds		**304,111**	–
Current liabilities			
Other payables and accruals		**1,524**	2,398
Convertible bonds		**–**	485,652
Total current liabilities		**1,524**	488,050
Total liabilities		**305,635**	488,050
Total equity and liabilities		**921,601**	951,791
Net current assets/(liabilities)		**41,263**	(413,530)
Total assets less current liabilities		**920,077**	463,741

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to owners of the Company									
	Issued capital	Share premium account	Contributed surplus	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	48,231	412,400	66,710	105,083	13,643	478	(202,208)	444,337	40,901	485,238
Changes in equity for 2010:										
Loss for the year	–	–	–	–	–	–	(64,294)	(64,294)	(3,160)	(67,454)
Other comprehensive income	–	–	–	–	–	(429)	–	(429)	–	(429)
Total comprehensive income	–	–	–	–	–	(429)	(64,294)	(64,723)	(3,160)	(67,883)
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
Forfeiture of share options	–	–	–	–	(365)	–	365	–	–	–
At 31 December 2010 and 1 January 2011	53,281	463,568*	66,710*	95,614*	12,915*	49*	(266,137)*	426,000	37,741	463,741
Changes in equity for 2011:										
Loss for the year	–	–	–	–	–	–	(67,157)	(67,157)	(2,369)	(69,526)
Other comprehensive income	–	–	–	–	–	(21)	–	(21)	–	(21)
Total comprehensive income	–	–	–	–	–	(21)	(67,157)	(67,178)	(2,369)	(69,547)
Issue of new shares upon conversion of convertible bonds	10,000	89,629	–	(15,395)	–	–	–	84,234	–	84,234
Gain on extinguishment of convertible bonds	–	–	–	(28,487)	–	–	161,226	132,739	–	132,739
Equity-settled share option arrangements	–	–	–	–	2,880	–	–	2,880	–	2,880
Issue of new shares upon exercise of share options	505	2,391	–	–	(977)	–	–	1,919	–	1,919
Forfeiture of share options	–	–	–	–	(327)	–	327	–	–	–
At 31 December 2011	63,786	555,588*	66,710*	51,732*	14,491*	28*	(171,741)*	580,594	35,372	615,966

* *These reserve accounts comprise the consolidated reserves of approximately HK$516,808,000 (2010:HK$372,719,000) in the consolidated statement of financial position.*

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 ("HKICPA"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. 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 HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has revised the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (as revised in 2009) also introduces modified disclosure requirements for government-related entities. The disclosure about the Group's related parties have been conformed to the amended disclosure requirements.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial instruments: Disclosures. The disclosures about the Group's and the Company's financial instruments in the notes to the financial statements of the annual report of the Company have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

4. 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 wood-processing factories and the sale of sawn timber, other timber and wood products; and

(c) the plantation business segment engages in plantation of oil palm trees 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 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 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 2011

HK$'000	**Trading business**	**Forestry business**	**Plantation business**	**Total**	**Reconciliations**	**Group Total**
Segment revenue:						
Revenue from external customers	**4,072**	**4,819**	**–**	**8,891**	**–**	**8,891**
Operating profit/(loss)	**85**	**(25,769)**	**(993)**	**(26,677)**	**–**	**(26,677)**
Interest income	**–**	**4**	**–**	**4**	**35**	**39**
Finance costs	**–**	**(35,431)**	**–**	**(35,431)**	**–**	**(35,431)**
Fair value gain on biological assets less cost to sell	**–**	**–**	**2,944**	**2,944**	**–**	**2,944**
Reconciled items:						
Unallocated expenses	**–**	**–**	**–**	**–**	**(7,521)**	**(7,521)**
Equity-settled share option expenses	**–**	**–**	**–**	**–**	**(2,880)**	**(2,880)**
Profit/(loss) before tax	**85**	**(61,196)**	**1,951**	**(59,160)**	**(10,366)**	**(69,526)**
Additions to non-current assets	**–**	**4,513**	**–**	**4,513**	**5,000**	**9,513**
Fair value gain on biological assets less cost to sell	**–**	**–**	**2,944**	**2,944**	**–**	**2,944**
Depreciation	**–**	**(6,156)**	**(207)**	**(6,363)**	**–**	**(6,363)**
Amortisation of forest concessions	**–**	**(3,724)**	**–**	**(3,724)**	**–**	**(3,724)**

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)

As at 31 December 2011

HK$'000	**Trading business**	**Forestry business**	**Plantation business**	**Total**	**Reconciliations**	**Group Total**
Segment assets	**2,878**	**880,016**	**9,579**	**892,473**	**–**	**892,473**
Reconciled items:						
Cash and cash equivalents	**–**	**–**	**–**	**–**	**24,047**	**24,047**
Unallocated assets	**–**	**–**	**–**	**–**	**5,081**	**5,081**
Total assets	**2,878**	**880,016**	**9,579**	**892,473**	**29,128**	**921,601**
Segment liabilities	**–**	**1,284**	**–**	**1,284**	**–**	**1,284**
Convertible bonds	**–**	**304,111**	**–**	**304,111**	**–**	**304,111**
Reconciled items:						
Unallocated liabilities	**–**	**–**	**–**	**–**	**240**	**240**
Total liabilities	**–**	**305,395**	**–**	**305,395**	**240**	**305,635**

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

Geographical information:

(a) Revenue from external customer

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Mainland China	**–**	6,715
Hong Kong (place of domicile)	**8,891**	–
	8,891	6,715

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

(b) Non-current assets

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Indonesia	**878,136**	869,308
Hong Kong (place of domicile)	**678**	7,963
	878,814	877,271

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

Information about major customers:

Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Customer A – revenue from forestry and trading business – Hong Kong	**6,966**	–
Customer B – revenue from trading business – Hong Kong	**1,925**	–
Customer C – revenue from trading business – Hong Kong	**–**	6,715
	8,891	6,715

5. 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 is as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sales of goods attributable to the trading business	**4,072**	6,715
Sales of logs attributable to the forestry business	**4,819**	–
	8,891	6,715
Other income		
Interest income	**39**	60
Others	**4**	15
	43	75
Other net gain		
Gain on disposal of subsidiaries	**–**	441
	43	516

6. LOSS BEFORE TAX

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

		2011	2010
		HK$'000	*HK$'000*
(a)	Staff costs*:		
	Salaries, wages and other benefits	**15,318**	9,622
	Equity-settled share-option expenses	**2,880**	–
	Pension scheme contributions	**140**	203
		18,338	9,825
(b)	Other items:		
	Auditors' remuneration		
	– Audit services	**761**	568
	Depreciation**	**6,363**	5,340
	Cost of inventories sold***	**8,096**	6,614
	Minimum lease payments under operating leases:		
	Land and buildings	**1,143**	2,183
	Loss on disposal of property, plant and equipment	**5**	109
	Amortisation of forest concessions	**3,724**	266
	Fair value gain on biological assets less cost to sell	**(2,944)**	(4,843)
	Foreign exchange loss, net	**10**	281

* *The amount excludes staff costs capitalised in inventories as at year end of approximately HK$389,000 (2010: nil)*

** *The amount excludes depreciation capitalised in inventories as at year end of approximately HK$822,000 (2010: nil).*

*** *Cost of inventories sold includes depreciation of approximately HK$1,638,000 (2010: nil), and staff costs of approximately HK$757,000 (2010: nil), the amount of which are also included in the respective total amounts disclosed separately above.*

7. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest charge on convertible bonds	**35,431**	33,758

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

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 (2010: 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 (2010: 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.

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

	2011	2010
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation	**(67,157)**	(64,294)
	Number of shares (thousands)	
Shares		
Weighted average number of ordinary shares in issue during the year	**5,725,312**	5,237,491

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2011 and 2010 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

	2011	2010
	HK$'000	*HK$'000*
Cost:		
At 1 January and 31 December	**833,801**	833,801
Accumulated amortisation:		
At 1 January	**(266)**	–
Charge for the year	**(3,724)**	(266)
At 31 December	**(3,990)**	(266)
Carrying amount:		
At 31 December	**829,811**	833,535

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

The Group acquired certain forest concessions in the Papua Province of Indonesia through acquisitions of subsidiaries. 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.

In March 2012, the Company obtained an updated 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 Company commenced the process to apply to the National Land Agency for land use right to establish the right to use of land area for oil palm plantation activities according to plantation business license or Governor Decree 35/2009. The legal opinion mentioned that as the Company has obtained all the licenses and permits to carry out logging, harvesting and plantation activities, 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 and 2011, 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 concession was appraised at a fair value of approximately HK$938,000,000 (2010: 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 assess the fair value of the concession right.

12. BIOLOGICAL ASSETS

	2011	2010
	HK$'000	*HK$'000*
At the beginning of the year	**6,635**	–
Additions	**–**	1,792
Fair value gain on biological assets less cost to sell	**2,944**	4,843
At the end of the year	**9,579**	6,635

The Group is engaged in the plantation of oil palm tree for supply of palm oil to customers. At 31 December 2011, the Group held approximately 150 thousands (2010: 180 thousands) seedlings of palm oil trees planted in Timika, Papua, Indonesia to produce palm oil in the future (immature assets).

The fair value of the Group's biological assets was assessed using market-based approach by obtaining information regarding the market prices of the similar oil palms from external sources and taking into account 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. Management performs regular reviews on the growth status of biological assets.

13. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**2,878**	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures established to monitor credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	2011		2010	
	Balance	**Percentage**	Balance	Percentage
	HK$'000	***%***	*HK$'000*	*%*
Current to 30 days	**908**	**32**	–	–
31 to 60 days	**1,668**	**58**	–	–
61 to 120 days	**302**	**10**	–	–
	2,878	**100**	–	–

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,878**	–

Receivables that were neither past due nor impaired relate to a customer for whom there was no recent history of default.

14. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

FINANCIAL REVIEW

Highlights on financial results

	Year ended 31 December		
(HK$'000, except percentage figures)	**2011**	2010	Change
Revenue	**8,891**	6,715	+32.4%
Gross profit	**795**	101	+687.1%
Gross profit margin	**8.9%**	1.5%	+7.4 percentage points
Operating expenses	**19,135**	28,888	-33.8%
Administrative expenses	**15,862**	10,268	+54.5%
EBITDA, excluding share option expenses*	**(21,128)**	(28,090)	-24.8%
Equity-settled share option expenses	**2,880**	–	Not applicable
Finance costs	**35,431**	33,758	+5.0%
Depreciation#	**6,363**	5,340	+19.2%
Amortisation	**3,724**	266	+130.0%
Loss for the year	**(69,526)**	(67,454)	+3.1%

* *EBITDA represents loss before tax, finance cost, depreciation and amortisation*
\# *Approximately HK$1.6 million was included in cost of sales in 2011 (2010: nil)*

Discussion on financial results

The revenue of the Group increased by 32.4% to approximately HK$8.9 million in 2011 from approximately HK$6.7 million in 2010. The increase in revenue was mainly attributable to revenue from our forestry business that amounted to HK$4.8 million. This amount has more than offset the decrease in revenue from our trading business. The increase in revenue in our forestry business also helped to improve our overall gross profit margin to 8.9% in 2011 from 1.5% in 2010.

The operating expenses of the Group decreased by 33.8% to approximately HK$19.1 million in 2011 from approximately HK$28.9 million in 2010. The decrease was mainly due to the cost decrease in plantation-related operations. The administrative expenses of the Group increased by 54.5% to approximately HK$15.9 million in 2011 from approximately HK$10.3 million in 2010. The increase was mainly due to the increase in director emoluments by approximately HK$4.7 million.

Excluding the effects of share option expenses, finance costs, depreciation and amortisation, the Group recorded a lower loss before tax at HK$21.1 million in 2011 compared to HK$28.1 million in 2010. The Company continued to invest in the start up costs and necessary strategic investment in people to lay a better foundation for our forestry and plantation businesses. The management also tightened cost controls and streamlined the operations for better efficiency in 2011.

During the year ended 31 December 2011, a total of 106 million share options were granted to eligible participants of the Company's share option scheme. The associated equity-settled share option expenses, which are non-cash in nature and represented the fair value of the share options granted, was approximately HK$2.9 million in 2011. No share option was granted in 2010.

In July 2011, the Company extended the maturity date of its convertible bonds, with outstanding principal of approximately HK$462.4 million, from August 2011 to August 2014. Gain on extinguishment of convertible bonds in respect of the liability component, amounted to HK$132.7 million, was credited to equity in accordance with Hong Kong Financial Reporting Standards. These convertible bonds were zero coupon bonds. Finance costs in 2010 and 2011 solely represented the non-cash, imputed interest charge on the liability component of such convertible bonds. Such finance cost increased by 5.0% from approximately HK$33.8 million in 2010 to approximately HK$35.4 million in 2011, as the effective imputed annual interest rate increased from about 7.25% to 11.66% upon extension.

During the year ended 31 December 2011, depreciation increased by 19.2% from approximately HK$5.3 million from 2010 to approximately HK$6.4 million in 2011, as all production equipment in the sawmill and veneer factories were subject to depreciation upon completion of installation in 2011.

Amortisation represented the amortisation of the Group's forest concessions in Indonesia covering an area of 313,500 hectares. It is charged on a unit of production basis. During the year ended 31 December 2011, the Group was granted wood utilization permit to perform logging covering an area of 1,500 hectares. Accordingly, the amortisation charge increased significantly from approximately HK$0.3 million in 2010 to approximately HK$3.7 million in 2011, reflecting higher level of logging activities during the year.

Loss for the year increased by 3.1% to approximately HK$69.5 million in 2011 from approximately HK$67.5 million in 2010. The increase was mainly due to the combined effect of increase in equity-settled share option expenses, finance costs, depreciation and amortisation, which were non-cash in nature, net of the decrease in aggregate of other administrative and operating expenses.

Analysis by business segment

(HK$'000)	Revenue		Profit/(loss) before tax	
	Year ended 31 December			
	2011	2010	**2011**	2010
Trading business	**4,072**	6,715	**85**	(73)
Forestry business	**4,819**	–	**(61,196)**	(60,274)
Plantation business	**–**	–	**1,951**	(5,648)
Total	**8,891**	6,715	**(59,160)**	(65,995)

Revenue from our trading business decreased by 39.4% from approximately HK$6.7 million in 2010 to approximately HK$4.1 million in 2011, as the Group shifted the trading products to more agricultural-related commodities with higher margin.

Compared to 2010, loss before tax from the forestry business in 2011 remained at a similar level, as the Company continued to invest the start up costs and human resources to develop the business.

Same as 2010, no revenue was recorded for the Group's plantation business in 2011 as our palm tree seedlings were still in early stage. As the seedlings continue to grow, the Group recorded gain of approximately HK$2.9 million (2010: HK$4.8 million) as a change in fair value of biological assets less cost to sell. In 2011, in order to maintain better and closer control, the Group deployed its own team, instead of hiring a sub-contractor to take care of the seedlings. Accordingly, the Group recorded profit before tax from this business of approximately HK$2.0 million in 2011 compared to a loss before tax of approximately HK$5.6 million in 2010.

Analysis by geographical segment

(HK$'000, except percentage figures)	Year ended 31 December			
	2011		2010	
	Revenue	**Proportion**	Revenue	Proportion
Hong Kong	**8,891**	**100%**	–	–
Mainland China	**–**	**–**	6,715	100%
Total	**8,891**	**100%**	6,715	100%

All the Group's revenue was derived from Hong Kong in 2011 whereas all revenue was derived from mainland China in 2010.

Highlights on financial position

(HK$'000, except percentage figures)	As at 31 December **2011**	2010	Change
Property, plant and equipment	**39,424**	37,101	+6.3%
Forest concessions	**829,811**	833,535	-0.4%
Biological assets	**9,579**	6,635	+44.4%
Trade debtors	**2,878**	–	n/a
Inventories	**1,914**	–	n/a
Prepayment, deposits and other receivable	**2,314**	5,951	-61.1%
Cash and cash equivalents	**35,681**	68,569	-48.0%
Other payables and accruals	**1,524**	2,398	-36.4%
Convertible bonds – liability component	**304,111**	485,652	-37.4%
Non-controlling interests	**35,372**	37,741	-6.3%
Shareholders' funds	**580,594**	426,000	+36.3%

Discussion on financial position

Property, plant and equipment increased to approximately HK$39.4 million as at 31 December 2011 from approximately HK$37.1 million as at 31 December 2010. The increase was mainly due to additions of approximately HK$9.5 million of buildings and factories, machineries and equipment, net of depreciation of approximately HK$7.2 million during 2011.

Forest concessions decreased to approximately HK$829.8 million as at 31 December 2011 from approximately HK$833.5 million as at 31 December 2010. The decrease was due to amortisation provided during 2011.

Biological assets increased to approximately HK$9.6 million as at 31 December 2011 from approximately HK$6.6 million as at 31 December 2010, mainly due to the change in fair value of palm seedlings with reference to the growth status.

Trade debtors amounted to HK$2.9 million as at 31 December 2011 (2010: nil), related to our trading business.

Inventories amounted to HK$1.9 million as at 31 December 2011 (2010: nil), related to the cost of logs resulting from our logging activities in 2011.

Prepayment, deposits and other receivable decreased to approximately HK$2.3 million as at 31 December 2011 from approximately HK$6.0 million as at 31 December 2010 , mainly due to prepayments related to acquisition of machineries being transferred to property, plant and equipment during 2011.

Cash and cash equivalents decreased by 48.0% to approximately HK$35.7 million as at 31 December 2011 from approximately HK$68.6 million as at 31 December 2010 . The decrease was mainly caused by the net cash outflow to finance operational expenses and acquisition of machineries.

Other payables and accruals decreased to approximately HK$1.5 million as at 31 December 2011 from approximately HK$2.4 million as at 31 December 2010 . The decrease was mainly due to the settlement of other payables of approximately HK$1.0 million during 2011.

The liability component of the convertible bonds decreased by 37.4% from approximately HK$485.6 million as at 31 December 2010 to approximately HK$304.1 million as at 31 December 2011. The decrease was mainly due to the partial conversion during 2011 and gain on extinguishment of convertible bonds in respect of its liability component of approximately HK$132.7 million upon extension of the maturity date from August 2011 to August 2014 during the year. The outstanding principal amounted to approximately HK$404.9 million and HK$504.9 million respectively as at 31 December 2011 and 2010.

Non-controlling interests decreased to approximately HK$35.4 million as at 31 December 2011 from approximately HK$37.7 million as at 31 December 2010. The decrease was mainly due to the sharing of loss in our non-wholly owned Indonesian subsidiaries by their non-controlling shareholders for 2011.

The Group's shareholders' funds increased to approximately HK$580.6 million as at 31 December 2011 from approximately HK$426.0 million as at 31 December 2010. The increase was mainly due to credit to the equity for gain on extinguishment of convertible bonds in respect of its liability component upon extension of its maturity date, amounted to approximately HK$132.7 million, in accordance with Hong Kong Financial Reporting Standards.

Capital structure and gearing ratio

	As at 31 December			
	2011		2010	
	HK$'000	**Proportion**	*HK$'000*	Proportion
Total borrowings				
– Convertible bonds (liability component)	**304,111**	**34.4%**	485,652	53.3%
Equity	**580,594**	**65.6%**	426,000	46.7%
Total capital employed	**884,705**	**100.0%**	911,652	100.0%

During the year ended 31 December 2011, convertible bonds with an aggregate principal amount of HK$100 million were converted into 1 billion shares of the Company with par value of HK$0.01 each. In 2011, gain on extinguishment of convertible bonds in respect of its liability component of approximately HK$132.7 million upon extension of the maturity date from August 2011 to August 2014 was credited to the equity in accordance with Hong Kong Financial Reporting Standards. The outstanding principal amounted to approximately HK$404.9 million as at 31 December 2011 (2010: HK$504.9 million).

The Group's gearing ratio was approximately 34.4% as at 31 December 2011 (2010: 53.3%). The decrease was mainly due to the conversion of convertible bonds and gain on extinguishment of convertible bonds upon extension of its maturity date mentioned in the aforesaid paragraph.

Other than the convertible bonds, the Group had no other borrowings as at 31 December 2010 and 2011.

Liquidity and financial resources

(HK$'000)	**As at 31 December 2011**	2010
Current assets	**42,787**	74,520
Current liabilities	**1,524**	488,050
Current ratio	**2,807.5%**	15.3%

The current ratio of the Group as at 31 December 2011 was 2,807.5% (2010: 15.3%). The significant increase in current ratio was mainly due to the reclassification of the liability component of the convertible bonds from current liabilities to non-current liabilities, upon extension of its maturity date from August 2011 to August 2014 during 2011. The liability component of the convertible bonds as at 31 December 2010 and 2011 were approximately HK$485.6 million and approximately HK$304.1 million respectively.

As at 31 December 2011, the Group's cash and cash equivalents amounted to approximately HK$35.7 million (2010: HK$68.6 million). No cash and cash equivalents of the Group were pledged for general banking facilities as at 31 December 2010 and 2011. As at 31 December 2011, about 87.1% (2010: 91.5%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 88.3% (2010: 100.0%) were denominated in Hong Kong dollars. The balance of cash and cash equivalents provides the funds to support the working capital and capital expenditure needs of the Group.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2010 and 2011, most of the Group's transactions were denominated in Hong Kong dollars ("HK$"), Indonesian Rupiah ("Rp") and United States dollars ("US$"), to which HK$ is pegged. The Group has exposure to the risk of exchange rate fluctuations for Rp on account of its cost of forestry and plantation operations in Indonesia. The Group has not formally employed any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

Contingent liabilities

In October 2011, PT. Merdeka Plantation Indonesia ("PTMPI"), a subsidiary of the Company, received a notice with regard to a legal case brought by a subcontractor, an independent third party. The plaintiff claims compensation for approximately Rp12.8 billion (equivalent to HK$10.9 million) for early termination of an agreement. Based on legal advice, the directors believe that PTMPI has a strong legal position given the plaintiff's negligence in the performance of the contract and the chance that PTMPI will become liable for compensation is remote. Accordingly, no provision has been made in respect of this claim.

Save as disclosed above, the Company has no significant contingent liability as at 31 December 2011.

Acquisition and disposal of subsidiaries and affiliated companies

The Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2011. Details of acquisition and disposal of subsidiaries during the year ended 31 December 2010 are disclosed in the notes to the financial statements of the annual report of the Company.

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2010 and 2011.

Pledge of assets

As at 31 December 2010 and 2011, the Group did not have any pledged deposits and assets.

Capital commitments

As at 31 December 2010 and 2011, the Group did not have any significant capital commitments.

Employees and remuneration policy

As at 31 December 2011, the Group employed 165 staff (2010: 157). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included 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 2011, there were outstanding share options of approximately 307.0 million (2010: 258.5 million).

Event after the reporting period

On 6 March 2012, the Company's existing share option scheme expired. All the outstanding share option thereunder were lapsed because of the expiry of the option period.

On 22 March 2012, the Company established the nomination committee to comply with the latest amended GEM Listing Rules.

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2011.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 31 December 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	–	9,800,000	0.15
Lai Wing Hung *(Note)*	75,000,000	1,277,680,000	1,352,680,000	21.21
Fung Hoi Wing, Henry	550,000	–	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 Merdeka Commodities Limited ("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 2011. 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 *(%)*
Ma Hang Kon, Louis	24/1/2011	24/10/2011–6/3/2012	0.078	40,000,000	40,000,000	0.63
Yeh Shuen Ji	6/4/2011	24/10/2011–6/3/2012	0.143	20,000,000	20,000,000	0.31
Bai Baohua	6/4/2011	24/10/2011–6/3/2012	0.143	20,000,000	20,000,000	0.31
Wong Shui Lung	6/4/2011	24/10/2011–6/3/2012	0.143	20,000,000	20,000,000	0.31
Fung Hoi Wing, Henry	7/7/2009	11/8/2009–6/3/2012	0.160	3,500,000	3,500,000	0.05
Lau Ho Wai, Lucas	7/7/2009	11/8/2009–6/3/2012	0.160	3,500,000	3,500,000	0.05
Lam Kin Kau, Mark	7/7/2009	11/8/2009–6/3/2012	0.160	3,500,000	3,500,000	0.05

(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 *(Note)*	404,880,000	4,048,800,000	63.47

Note: The MCL Convertible Bonds, originally due on 12 August 2011 and extended to 12 August 2014, are unlisted, interest-free and convertible into the shares of the Company 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 2011.

Save as disclosed above, as at 31 December 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 year ended 31 December 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 31 December 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	20.03
MFGL	Through a controlled corporation	*1*	1,277,680,000	20.03
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned		1,331,764,070	20.88
CCT Capital International Holdings Limited	Through a controlled corporation	*2*	1,331,764,070	20.88
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	*2*	1,331,764,070	20.88
Mak Shiu Tong, Clement	Through a controlled corporation	*2 and 3*	1,331,764,070	20.88

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 2011.*

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. *The interest disclosed represents 1,331,764,070 shares of the Company 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 2011.*

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

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)*	404,880,000	4,048,800,000	63.47
MFGL	MCL Convertible Bonds *(Note)*	404,880,000	4,048,800,000	63.47

Note: *The MCL Convertible Bonds, originally due on 12 August 2011 and extended to 12 August 2014, are unlisted, interest-free and convertible into the shares of the Company 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 2011.*

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 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 31 December 2011, a total of 50,500,000 share options were exercised resulting in the issue of an aggregate of 50,500,000 shares of HK$0.01 each to the respective option holders on 5 August 2011. Furthermore, a total of 8,000,000 share options held by an option holder were lapsed on 13 August 2011.

As at 31 December 2011, excluding the March Grant (as defined below), there were 307,000,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 307,000,000, which represents approximately 4.81% and 4.52% of the total issued share capital of the Company as at 31 December 2011 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 307,000,000 additional ordinary shares of the Company, additional share capital of HK$3,070,000 and share premium of HK$44,506,000 (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 2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2011	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 directors									
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				

Name or category of the participants	Number of share options: Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2011	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*
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	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	50,500,000	8,000,000	196,500,000				
	258,500,000	107,000,000	50,500,000	8,000,000	307,000,000				

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.

3. During the year, 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.

Save as disclosed above, as at the date of this report, no share options were exercised subsequent to the balance sheet date.

The existing share option scheme of the Company expired on 6 March 2012 while all the outstanding share options were lapsed because of the expiry of the option period.

During the year ended 31 December 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 year, 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 year**	**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

The fair value of the share options granted during the year ended 31 December 2011 was HK$2,880,280 (2010: Nil) of which the Group recognised a share option expense of HK$2,880,280 (2010: Nil) during the year.

The fair value of equity-settled share options granted during the year 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 (%)	–
Expected volatility (%)	58–69
Historical volatility (%)	58–69
Risk-free interest rate (%)	0.2–0.3
Expected life of share options (year)	0.7–0.9
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.

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 2011, 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.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.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 2011 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 nor established written guidelines regarding the securities transactions by the directors and relevant employees 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 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 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 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.

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.

THE COMPANY SECRETARY

The Company has appointed and employed, on a full time basis, Mr. Lai Yau Hong, Thomson, as company secretary. He is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is an individual who, by virtue of his professional qualifications and relevant experience, is, in the opinion of the Board, capable of discharging the functions of company secretary. During the year ended 31 December 2011, the company secretary has taken over 15 hours of relevant professional training.

The company secretary of the Company is responsible not just for taking minutes of the Board's meetings but also for supporting the board by ensuring good information flow within the Board and that board policy and procedures are followed and for advising the Board through the Chairman and the Chief Executive Officer on governance matters and also for facilitating induction and professional development of directors.

The company secretary reports to the Chairman of the Board and the Chief Executive Officer while all directors have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

A physical board meeting is required to be held to discuss and approve any change in the company secretary.

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 2011.

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

The results announcement of the Company for the year ended 31 December 2011 will be published and remains on the websites of the Company at http://www.merdeka.com.hk and http://www.irasia.com/listco/hk/merdeka and will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page 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 2012.

ANNUAL GENERAL MEETING

The notice of the 2012 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, 22 March 2012

As at the date of this announcement, 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

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