

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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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This announcement, for which the directors of Merdeka Resources Holdings Limited (the “Company”) 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 the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2012, the principal businesses of Merdeka Resources Holdings Limited (the “Company”) and its subsidiaries (the “Group”) continued to be forestry, plantation and trading. Triggered by the unresolved crisis of eurozone sovereign debt and signs of slow down in China’s economic growth, macro business environment was less favourable in the first half of 2012. These exerted a downward pressure on the general demand for forestry products and market prices of timber and palm oil. Political environment in Papua, Indonesia, where we carry out our forestry and plantation businesses, also became less certain and possessed more challenges to our production and operation.

OPERATION REVIEW

During the period under review, as for the forestry business, the Group focused on downstream operation of timber processing in Indonesia. Productivity of our sawmill factory improved. We continued to deploy our in-house team to take care of the palm oil seedlings for the plantation business. In respect of our trading business, the Group recorded sales of approximately HK\$3,949,000.

FINANCIAL REVIEW

Revenue of the Group for the six months ended 30 June 2012, which was generated from the trading business, dropped by 18% as compared to the corresponding period in 2011, which was generated from the logging activities of forestry business. Same as in 2011, no revenue was recorded for the Group’s plantation business in 2012 as our palm oil tree seedlings were still in development stage. All of the Group’s revenue was derived from Hong Kong in both 2012 and 2011.

As the trading business had a lower gross profit margin than the forestry business, the gross profit of the Group notably decreased to approximately HK\$84,000 for this period from approximately HK\$1,075,000 for the corresponding period last year. Nevertheless, the loss for the first half of 2012 reduced by approximately HK\$2,391,000 from that of 2011 to approximately HK\$31,401,000, as the decrease in gross profit was more than offset by the decreases in operating and administrative expenses, finance cost and share option expenses by approximately HK\$1,492,000, HK\$372,000 and HK\$1,392,000 respectively. Reduction in operating and administrative expenses was mainly contributed by the cost savings in plantation-related operation and forestry-related field operation. The decrease in finance cost, which solely represented the non-cash imputed interest charge in the liability component of the Group’s convertible bonds, was mainly due to the decrease in average balance of the liability component during the first half of 2012 when certain convertible bonds were converted into shares of the Company. On 30 May 2012, 83,500,000 share options were granted under the new share option scheme effective from 3 May 2012. Accordingly, share option expense of approximately HK\$974,000 was charged for the first half of 2012.

OUTLOOK

In view of the short-term slowing down of the Group's business and operations in Indonesia, we are cautious in deploying our resources. The management put greater effort on streamlining and refining our operations. The Company continues to look for opportunities to diversify its business. On 19 July 2012, the Group entered into an agreement for the acquisition of 0.8 million metric tones of tailings in Indonesia at the consideration of HK\$6 million, which was satisfied by the issuance and allotment of 400 million shares of the Company. This transaction allows the Group to diversify into a new stream of income generating business.

Finally, we would like to express our sincere thanks to the valuable contribution from four departing directors, Mr. Yeh Shuen Ji, Mr. Lai Wing Hung, Mr. Wong Shui Lung and Mr. Bai Baohua. We also extend our warm welcome to Professor Gong Yao Qian, who became an executive director of the Company on 10 July 2012.

CAPITAL STRUCTURE AND GEARING RATIO

	As at 30 June 2012		As at 31 December 2011	
	<i>HK\$'000</i>	<i>Proportion</i>	<i>HK\$'000</i>	<i>Proportion</i>
	(Unaudited)		(Audited)	
Total borrowings				
– Convertible bonds (liability component)	<u>254,589</u>	<u>29.2%</u>	<u>304,111</u>	<u>34.4%</u>
Equity attributable to owners of the Company	<u>616,731</u>	<u>70.8%</u>	<u>580,594</u>	<u>65.6%</u>
Total capital employed	<u>871,320</u>	<u>100.0%</u>	<u>884,705</u>	<u>100.0%</u>

The Group's gearing ratio was approximately 29.2% as at 30 June 2012 (31 December 2011: 34.4%). The decrease was mainly due to the conversion of convertible bonds. During the six months ended 30 June 2012, convertible bonds with an aggregate principal amount of HK\$85 million were converted into 850 million shares of the Company with par value of HK\$0.01 each. The outstanding principal amounted to approximately HK\$319.9 million as at 30 June 2012 (31 December 2011: HK\$404.9 million). Its maturity date is 12 August 2014 and the effective interest rate of the liability component is approximately 11.66%. Other than the convertible bonds, the Group had no other borrowings as at 30 June 2012 and 31 December 2011. There is no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

<i>(HK\$'000)</i>	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)
Current assets	31,344	42,787
Current liabilities	826	1,524
Current ratio	<u>3,794.7%</u>	<u>2,807.5%</u>

Current ratio as at 30 June 2012 was 3,794.7% (31 December 2011: 2,807.2%), reflecting healthy liquidity and sound financial position of the Group.

As at 30 June 2012, the Group's cash and cash equivalents amounted to approximately HK\$24.5 million (31 December 2011: HK\$35.7 million). No cash and cash equivalents of the Group were pledged for general banking facilities as at 30 June 2012 and 31 December 2011. As at 30 June 2012, about 90.2% (31 December 2011: 87.1%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 92.6% (31 December 2011: 88.3%) 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 six months ended 30 June 2012 and year ended 31 December 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 had exposure to the risk of exchange rate fluctuations for Rp on account of its cost of forestry and plantation operations in Indonesia. The Group did not formally employ 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

Details of contingent liabilities are disclosed in Note 14 of the notes to the financial statements.

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 period under review.

PLEDGE OF ASSETS

As at 30 June 2012 and 31 December 2011, the Group did not have any pledged deposits and assets.

CAPITAL COMMITMENTS

As at 30 June 2012 and 31 December 2011, the Group did not have any significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group employed 126 staff (31 December 2011: 165). 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 30 June 2012, there were outstanding share options of 83.5 million (31 December 2011: 307.0 million).

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (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 2012, together with the comparative unaudited figures for the corresponding periods in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Three months ended 30 June		Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	2	1,910	2,894	3,949	4,813
Cost of sales		<u>(1,869)</u>	<u>(1,961)</u>	<u>(3,865)</u>	<u>(3,738)</u>
Gross profit		41	933	84	1,075
Other income and other net gains		59	1	135	9
Operating and administrative expenses		(6,894)	(9,141)	(14,633)	(16,125)
Equity-settled share option expenses		(974)	(1,162)	(974)	(1,346)
Finance costs	5	<u>(7,840)</u>	<u>(8,723)</u>	<u>(16,013)</u>	<u>(17,405)</u>
LOSS BEFORE TAX	4	(15,608)	(18,092)	(31,401)	(33,792)
Income tax	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LOSS FOR THE PERIOD		<u>(15,608)</u>	<u>(18,092)</u>	<u>(31,401)</u>	<u>(33,792)</u>
Loss attributable to:					
Owners of the Company		(15,125)	(17,353)	(30,366)	(32,372)
Non-controlling interests		<u>(483)</u>	<u>(739)</u>	<u>(1,035)</u>	<u>(1,420)</u>
		<u>(15,608)</u>	<u>(18,092)</u>	<u>(31,401)</u>	<u>(33,792)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
Basic and diluted		<u>(HK0.22 cents)</u>	<u>(HK0.32 cents)</u>	<u>(HK0.44 cents)</u>	<u>(HK0.60 cents)</u>

Details of the dividends payable and proposed for the periods are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2012*

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(15,608)	(18,092)	(31,401)	(33,792)
Other comprehensive loss, after tax:				
Exchange difference on translating of financial statements of overseas subsidiaries	<u>—</u>	<u>—</u>	<u>(6)</u>	<u>—</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(15,608)</u>	<u>(18,092)</u>	<u>(31,407)</u>	<u>(33,792)</u>
Total comprehensive loss attributable to:				
Owners of the Company	(15,125)	(17,353)	(30,372)	(32,372)
Non-controlling interests	<u>(483)</u>	<u>(739)</u>	<u>(1,035)</u>	<u>(1,420)</u>
	<u>(15,608)</u>	<u>(18,092)</u>	<u>(31,407)</u>	<u>(33,792)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Note</i>	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		35,749	39,424
Forest concessions		829,811	829,811
Biological assets		9,579	9,579
		<hr/>	<hr/>
Total non-current assets		875,139	878,814
		<hr/>	<hr/>
Current assets			
Trade receivables	9	2,739	2,878
Prepayments, deposits and other receivables		2,557	2,314
Inventories	10	1,514	1,914
Cash and cash equivalents		24,534	35,681
		<hr/>	<hr/>
Total current assets		31,344	42,787
		<hr/>	<hr/>
Total assets		906,483	921,601
		<hr/>	<hr/>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Issued capital	12	72,286	63,786
Reserves		544,445	516,808
		<hr/>	<hr/>
		616,731	580,594
Non-controlling interests		34,337	35,372
		<hr/>	<hr/>
Total equity		651,068	615,966
		<hr/>	<hr/>
Non-current liabilities			
Convertible bonds	11	254,589	304,111
		<hr/>	<hr/>
Current liabilities			
Other payables and accruals		826	1,524
		<hr/>	<hr/>
Total liabilities		255,415	305,635
		<hr/>	<hr/>
Total equity and liabilities		906,483	921,601
		<hr/>	<hr/>
Net current assets		30,518	41,263
		<hr/>	<hr/>
Total assets less current liabilities		905,657	920,077
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2012

	Attributable to owners of the Company									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of		Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				convertible bonds	Share option reserve					
				(Unaudited) HK\$'000	(Unaudited) HK\$'000					
At 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 period	-	-	-	-	-	-	(32,372)	(32,372)	(1,420)	(33,792)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	(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 arrangements	-	-	-	-	1,346	-	-	1,346	-	1,346
At 30 June 2011	<u>55,281</u>	<u>485,053</u>	<u>66,710</u>	<u>91,827</u>	<u>14,261</u>	<u>49</u>	<u>(298,509)</u>	<u>414,672</u>	<u>36,321</u>	<u>450,993</u>
At 1 January 2012	63,786	555,588	66,710	51,732	14,491	28	(171,741)	580,594	35,372	615,966
Changes in equity for 2012:										
Loss for the period	-	-	-	-	-	-	(30,366)	(30,366)	(1,035)	(31,401)
Other comprehensive loss	-	-	-	-	-	(6)	-	(6)	-	(6)
Total comprehensive loss	-	-	-	-	-	(6)	(30,366)	(30,372)	(1,035)	(31,407)
Issue of new shares upon conversion of convertible bonds	8,500	67,895	-	(10,860)	-	-	-	65,535	-	65,535
Forfeiture of share options	-	-	-	-	(14,491)	-	14,491	-	-	-
Equity-settled share option arrangements	-	-	-	-	974	-	-	974	-	974
At 30 June 2012	<u>72,286</u>	<u>623,483</u>	<u>66,710</u>	<u>40,872</u>	<u>974</u>	<u>22</u>	<u>(187,616)</u>	<u>616,731</u>	<u>34,337</u>	<u>651,068</u>

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 2011 (the “2011 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2011 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 2012. The adoption of the new and revised HKFRSs does not have any significant financial impact on the interim financial statements.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

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		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sale of logs attributable to the forestry business	–	2,894	–	4,813
Sale of goods attributable to the trading business	1,910	–	3,949	–

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 goods, components and accessories;
- (b) the forestry business segment engages 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 convertible bonds, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

**For the six months ended
30 June 2012**

	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	<u>3,949</u>	<u>-</u>	<u>-</u>	<u>3,949</u>	<u>-</u>	<u>3,949</u>
Operating profit/(loss)	84	(13,667)	(373)	(13,956)	-	(13,956)
Interest income	-	20	-	20	115	135
Finance costs (non-cash)	-	(16,013)	-	(16,013)	-	(16,013)
Reconciled items:						
Equity-settled share option expense	-	-	-	-	(974)	(974)
Unallocated expenses	-	-	-	-	(593)	(593)
Loss before tax	<u>84</u>	<u>(29,660)</u>	<u>(373)</u>	<u>(29,949)</u>	<u>(1,452)</u>	<u>(31,401)</u>
Additions for non-current assets	-	-	-	-	-	-
Depreciation	-	(3,613)	(62)	(3,675)	-	(3,675)

**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	<u>-</u>	<u>4,813</u>	<u>-</u>	<u>4,813</u>	<u>-</u>	<u>4,813</u>
Operating loss	-	(13,320)	(857)	(14,177)	-	(14,177)
Interest income	-	3	-	3	6	9
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	<u>-</u>	<u>(30,722)</u>	<u>(857)</u>	<u>(31,579)</u>	<u>(2,213)</u>	<u>(33,792)</u>
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

As at 30 June 2012

	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	2,739	870,648	9,579	882,966	–	882,966
Reconciled items:						
Cash and cash equivalents	–	–	–	–	18,335	18,335
Unallocated assets	–	–	–	–	5,182	5,182
Total assets	2,739	870,648	9,579	882,966	23,517	906,483
Segment liabilities	–	743	–	743	–	743
Convertible bonds	–	254,589	–	254,589	–	254,589
Reconciled items:						
Unallocated liabilities	–	–	–	–	83	83
Total liabilities	–	255,332	–	255,332	83	255,415

As at 31 December 2011

	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	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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2012 (Unaudited) HK\$'000	Six months ended 30 June 2011 (Unaudited) HK\$'000
Hong Kong	3,949	4,813

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

(b) Non-current assets

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Indonesia	874,562	878,136
Hong Kong (place of domicile)	577	678
	875,139	878,814

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

Information about major customers

Revenue from operations of approximately HK\$3,949,000 for the six months period ended 30 June 2012 was derived from sales in the trading business segment attributable to a single customer. In 2011, revenue of approximately HK\$4,813,000 was derived from sales of logs in the forestry business segment attributable to two customers.

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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation	1,832	1,295	3,675	2,630
Amortization of forest concessions	–	1,064	–	1,064
Staff costs (including directors' emoluments)	2,470	3,681	6,276	7,582

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on convertible bonds	<u>7,840</u>	<u>8,723</u>	<u>16,013</u>	<u>17,405</u>

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 in Hong Kong during the period (2011: Nil). Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2011: Nil).

There was no income tax relating to the other comprehensive income during the period (2011: 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 2012 (2011: 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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<u>Loss</u> Loss attributable to owners of the Company	<u>15,125</u>	<u>17,353</u>	<u>30,366</u>	<u>32,372</u>
	Number of shares (thousands)			
<u>Shares</u> Weighted average number of ordinary shares in issue during the period	<u>6,979,418</u>	<u>5,464,852</u>	<u>6,852,990</u>	<u>5,396,878</u>

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. 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 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
0 to 30 days	679	908
31 to 60 days	671	1,668
61 to 120 days	1,389	302
	<u>2,739</u>	<u>2,878</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months to three months.

10. INVENTORIES

During the six months ended 30 June 2012, the Group wrote down its inventory by approximately HK\$400,000 for bad and rotten logs. There were no inventory write-downs recognised during the six months ended 30 June 2011.

11. CONVERTIBLE BONDS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
At beginning of the period/year	304,111	485,652
Gain on extinguishment of convertible bonds in respect of liability component	–	(132,739)
Interest charged	16,013	35,431
Conversion of convertible bonds	(65,535)	(84,233)
	<u>254,589</u>	<u>304,111</u>

12. SHARE CAPITAL

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
<i>Authorised:</i>		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
7,228,649,000 (31 December 2011: 6,378,679,000) ordinary shares of HK\$0.01 each	<u>72,286</u>	<u>63,786</u>

13. COMMITMENTS

(a) Operating lease commitments

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
<u>Properties</u>		
Within one year	746	1,263
In the second to fifth years, inclusive	220	484
	966	1,747

(b) Capital commitments

The Group did not have any material capital commitments as at 30 June 2012 (31 December 2011: nil).

14. 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.

In May 2012, the court ruled in favour of PTMPI and rejected the plaintiff's claim. No appeal has been made by the plaintiff and no provision has been made in respect of the claim.

Save as disclosed above, the Group has no significant contingent liability as at 30 June 2012 and 31 December 2011.

15. RELATED PARTY TRANSACTIONS

Total compensation paid to key management personnel during the period amounted to approximately HK\$3,014,000 (30 June 2011: HK\$4,007,000).

16. COMPARATIVE FIGURES

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

17. EVENTS AFTER THE REPORTING PERIOD

On 10 July 2012, Professor Gong Yao Qian has been appointed as an executive director of the Company.

On 19 July 2012, Merdeka Resources International Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 800,000 metric tonnes of tailings located in and near the city of Timika, Papua, Indonesia, at a consideration of HK\$6 million. The consideration shall be satisfied by the allotment and issuance of 400 million new ordinary shares (the "Consideration Shares") by the Company. On 3 August 2012, the agreement became effective and the Consideration Shares were issued and allotted, credited as fully paid, accordingly. The maximum period of delivery is 24 months.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, 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 and the convertible bonds of the Company as at 30 June 2012

(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 (Notes 1 and 2)	9,800,000	1,000,000,000	1,009,800,000	13.97
Fung Hoi Wing, Henry	550,000	–	550,000	0.01

Notes:

1. *Mr. Ma Hang Kon, Louis has on 20 June 2012 obtained (i) the entire issued share capital of Merdeka Finance Group Limited ("MFGL") and (ii) 30% of the issued share capital of Merdeka Commodities Limited ("MCL") which in turn holds shares of the Company and the convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014) issued by the Company to MCL on 12 August 2008 as part of consideration to acquire the forestry business (the "MCL Convertible Bonds") from Mr. Lai Wing Hung.*
2. *Of the shareholdings in which Mr. Ma Hang Kon, Louis was interested, 1,000,000,000 shares of the Company were held by MCL. Mr. Ma Hang Kon, Louis 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 MFGL, which in turn held 70% shareholdings in MCL as at 30 June 2012. The remaining 9,800,000 shares of the Company were beneficially owned by Mr. Ma Hang Kon, Louis 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	30/5/2012	30/5/2012 – 29/5/2022	0.017	60,000,000	60,000,000	0.83
Fung Hoi Wing, Henry	30/5/2012	30/5/2012 – 29/5/2022	0.017	3,500,000	3,500,000	0.05
Lau Ho Wai, Lucas	30/5/2012	30/5/2012 – 29/5/2022	0.017	3,500,000	3,500,000	0.05
Lam Kin Kau, Mark	30/5/2012	30/5/2012 – 29/5/2022	0.017	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 (%)
Ma Hang Kon, Louis	MCL Convertible Bonds (Note)	239,880,000	2,398,800,000	33.18

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. Ma Hang Kon, Louis 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 2012.

Save as disclosed above, as at 30 June 2012, 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 2012 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 2012, 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		1,000,000,000	13.83
MFGL	Through a controlled corporation	1	1,000,000,000	13.83
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned		1,331,764,070	18.42
CCT Capital International Holdings Limited	Through a controlled corporation	2	1,331,764,070	18.42
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	2	1,331,764,070	18.42
Mak Shiu Tong, Clement	Through a controlled corporation	2 and 3	1,331,764,070	18.42

Notes:

1. The 1,000,000,000 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 2012.
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 30 June 2012.

(ii) 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 (Note)	239,880,000	2,398,800,000	33.18
MFGL	MCL Convertible Bonds (Note)	239,880,000	2,398,800,000	33.18

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 30 June 2012.

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 2012, 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 Company's old share option scheme, which was effective on 7 March 2002 (the "Old Share Option Scheme"), expired on 6 March 2012. All the outstanding share options thereunder lapsed because of the expiry of the option period. The new share option scheme of the Company (the "New Share Option Scheme") was adopted by the shareholders of the Company and was effective on 3 May 2012, when the annual general meeting was held. Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 June 2012, there were 83,500,000 share options outstanding under the New Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 83,500,000, which represents approximately 1.16% and 0.97% of the total issued share capital of the Company as at 30 June 2012 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 83,500,000 additional ordinary shares of the Company, additional share capital of HK\$835,000 and share premium of HK\$584,500 (before the share issue expenses).

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

Name or category of the participants	Number of share options				Outstanding as at 30 June 2012	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 2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period					
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
	-	60,000,000	-	-	60,000,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
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	-	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 30 June 2012	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 2012	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					
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
	-	3,500,000	-	-	3,500,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
Lau Ho Wai, Lucas	3,500,000	-	-	3,500,000	-	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	-	3,500,000	-	-	3,500,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
Lam Kin Kau, Mark	3,500,000	-	-	3,500,000	-	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	-	3,500,000	-	-	3,500,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
	<u>10,500,000</u>	<u>10,500,000</u>	<u>-</u>	<u>10,500,000</u>	<u>10,500,000</u>				
Employees and other eligible participants									
<i>Employees</i>	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
	-	13,000,000	-	-	13,000,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
<i>Other eligible participants</i>	9,500,000	-	-	9,500,000	-	7/7/2009	7/7/2009 – 6/3/2012	0.160	0.157
	<u>180,000,000</u>	<u>-</u>	<u>-</u>	<u>180,000,000</u>	<u>-</u>	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	<u>196,500,000</u>	<u>13,000,000</u>	<u>-</u>	<u>196,500,000</u>	<u>13,000,000</u>				
	<u>307,000,000</u>	<u>83,500,000</u>	<u>-</u>	<u>307,000,000</u>	<u>83,500,000</u>				

Notes:

- 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.*
- 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.*
- These directors resigned on 15 May 2012.*

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 end of the period under review.

During the period for the six months ended 30 June 2012, a total of 83,500,000 share options were granted by the Company on 30 May 2012 under the New Share Option Scheme, among which 70,500,000 share options were granted to four directors of the Company. The directors of the Company have estimated the following theoretical valuations of the said 83,500,000 share options granted under the New 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 <i>HK\$</i>
Ma Hang Kon, Louis	60,000,000	699,881
Fung Hoi Wing, Henry	3,500,000	40,826
Lau Ho Wai, Lucas	3,500,000	40,826
Lam Kin Kau, Mark	3,500,000	40,826
Others	13,000,000	151,641
	<u>83,500,000</u>	<u>974,000</u>

The fair value of the share options granted during the period for the six months ended 30 June 2012 was approximately HK\$974,000 (30 June 2011: HK\$2,880,280) of which the Group recognised a share option expense of approximately HK\$974,000 (30 June 2011: HK\$1,346,000) 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 (%)	–
Expected volatility (%)	89.4
Historical volatility (%)	89.4
Risk-free interest rate (%)	0.52
Expected life of share options (<i>year</i>)	5
Closing share price at grant date (<i>HK\$</i>)	0.017

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 2012.

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 2012, except for the following deviations from the code provisions of the CG Code:

- (1) A.2.1: the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.
- (2) A.4.1: non-executive directors should be appointed for a specific term; and
- (3) A.4.2: all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director should be subject to retirement by rotation at least once every three years.

Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company have been disclosed in the corporate governance report contained in the 2011 Annual Report of the Company issued in March 2012 and will be disclosed in the Interim Report 2012 of the Company.

Model Code for Securities Transactions by the Directors of the Company

The Company has not adopted a code of conduct regarding the securities transactions by the directors of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period for the six months ended 30 June 2012.

Nomination Committee

The Company has established a nomination committee (the “Nomination Committee”) on 22 March 2012 with specific written terms of reference in line with the code provisions under the CG Code. The Nomination Committee consists of four 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 one executive director, namely Mr. Ma Hang Kon, Louis. The chairman of the Nomination Committee is elected by the members who are present at the meeting.

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 four members comprising three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, and one executive director, namely Mr. Ma Hang Kon, Louis. 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 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 2012, 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.

The Company has published its Nomination Committee’s, Remuneration Committee’s and Audit Committee’s terms of reference on its websites and that of the Stock Exchange pursuant to the GEM Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Ma Hang Kon, Louis (*Chairman and Chief Executive Officer*)
Professor Gong Yao Qian

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
Chairman and Chief Executive Officer

Hong Kong, 10 August 2012

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>.