

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 2012

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* 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 2012 annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2012. During the year, the Group’s principal businesses continued to be forestry, plantation and trading.

BUSINESS REVIEW

The Group’s forestry business and plantation business are related to our forest concessions in the Papua Province of Indonesia (the “Papua”). The former covers upstream operation of logging and downstream operation of timber processing while the later involves the plantation of seedlings of palm trees in the logged and cleared area. In 2012, macro environment for these two businesses was unfavourable. Triggered by the slow down in global economy, general demand for forestry and timber products was weakened, which in turn exerted a downward pressure on their market prices. The local political environment in the Papua also became quite uncertain and possessed great challenges to our production and operation there.

OPERATION REVIEW

As a result of the adverse local political situation in the Papua, our forestry business did not progress as scheduled. We had to refine our production plan and scale down the operation. Upstream operation of logging was stopped in 2012. During the year, downstream operation of timber processing came to a halt as well. Unlike the sales of woods in 2011, the Group therefore did not record any revenue from the business in 2012. Delay in moving the logs from forest to factory for prompt processing also resulted in obsolete logs and woods. Accordingly, the management determined to write off the inventories of approximately HK\$1,914,000.

As to the associated plantation business, there was no new plantation made in 2012 as the logging and clearing activities were suspended. Considering that economies of scale could not be achieved at this stage and the resumption of logging in near term was uncertain, the management decided to dissolve the in-house team taking care of the plantings and write off the biological assets of approximately HK\$9,579,000.

The postponement of our forestry project in the Papua and the lower market prices for timber products had also led to the impairment of approximately HK\$560,000,000 and HK\$16,000,000 to the forest concessions and property, plant and equipment respectively.

As to the trading business, the Group continued to engage in the trading of agricultural-related products in 2012 and recorded sales of approximately HK\$7,909,000. We strived to grow this business which provided a stable source of revenue.

We reported a loss attributable to owners of the Company for 2012 of approximately HK\$613,037,000, representing an increase of 812.8% compared to 2011. The significant increase in loss was mainly due to the aforesaid impairment losses.

CHANGE OF THE BOARD AND SUBSTANTIAL SHAREHODLER

In the annual general meeting held on 3 May 2012, Mr. Fung Hoi Wing, Henry, Mr. Lau Ho Wai, Lucas and Mr. Ma Hang Kon, Louis were re-elected as the directors of the Company. On 15 May 2012, Mr. Wong Shui Lung and Mr. Bai Baohua resigned as an executive director and a non-executive director of the Company respectively. On the same day, Mr. Yeh Shuen Ji resigned as a non-executive director and the Chairman of the Company and Mr. Ma Hang Kon, Louis was appointed as the Chairman of the Company. On 20 June 2012, Mr. Lai Wing Hung ceased to be a substantial shareholder of the Company and Mr. Ma Hang Kon, Louis became a substantial shareholder of the Company. On 22 June 2012, Mr. Lai Wing Hung resigned as an executive director of the Company. On 10 July 2012, Professor Gong Yao Qian was appointed as an executive director of the Company. On 14 August 2012, Mr. Ma Hang Kon, Louis ceased to be a substantial shareholder and Mr. Cheung Wai Yin, Wilson became a substantial shareholder of the Company. On 24 August 2012, Mr. Cheung Wai Yin, Wilson was appointed as the Chairman, Chief Executive Officer and an executive director of the Company. Mr. Ma Hang Kon, Louis was re-designated as an executive director of the Company. On the same day, Mr. Lau Chi Yan, Pierre and Mr. Wong Chi Man were appointed as an executive director and a non-executive director of the Company respectively. On 26 October 2012, Mr. Fung Hoi Wing, Henry resigned and Ms. Yeung Mo Sheung, Ann was appointed as an independent non-executive director of the Company. On 27 November 2012, Professor Gong Yao Qian resigned as an executive director of the Company.

OUTLOOK

After the change of management and restructuring of the Board in 2012, the new management has been actively looking for opportunities to diversify its business. In addition to forestry and agriculture, there are ample natural resources in Indonesia. On 19 July 2012, the Group agreed to acquire 0.8 million metric tonnes of tailings in Indonesia at the consideration of HK\$6 million, satisfied by the issuance of 400 million new shares of the Company. The relevant agreement became effective on 3 August 2012 for the tailings to be delivered within 24 months. Leveraging on the experience of our newly appointed director in the information technology industry, the Group entered into an agreement to acquire 70% interest of Ever Hero Group on 6 September 2012. The principal activity of Ever Hero Group is to provide

information technology solution, online and offline game and content development and enterprise system maintenance services. This proposed very substantial acquisition is subject to the satisfaction of several conditions, including the approval of the shareholders of the Company. The consideration, being HK\$100 million, will be satisfied by HK\$20 million cash, HK\$45 million interest bearing promissory note and HK\$35 million zero coupon convertible bonds. We believe the successful completion of its acquisition will have a positive impact on the Group's financial performance for the coming financial year. We will continue to consider any suitable business opportunities, taking into account the cash flow requirement and associated business risk.

As to the existing businesses in the Papua, the Group will endeavour to streamline and optimize its operations there to preserve our financial resources before the resumption of the forestry project.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to the valuable contribution from our departing directors, Mr. Yeh Shuen Ji, Mr. Lai Wing Hung, Mr. Wong Shui Lung, Mr. Bai Baohua, Mr. Fung Hoi Wing, Henry and Professor Gong Yao Qian. I would also like to express my gratitude to our management team and all staff for their hard work in the execution of the Group's strategies and operations during the past year. As approved by the shareholders in the annual general meeting held on 3 May 2012, the Company adopted a new share option scheme, which could provide incentives and rewards to eligible participants for their contribution to the Group. Last but not the least, I wish to thank all shareholders, customers, suppliers, business partners, bankers, government authorities for their continuous support and confidence in the Group.

Cheung Wai Yin, Wilson

Chairman and Chief Executive Officer

Hong Kong

22 March 2013

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 2012, together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
REVENUE	5	7,909	8,891
Cost of sales		<u>(7,742)</u>	<u>(8,096)</u>
Gross profit		167	795
Other income and other net gain	5	440	43
Operating expenses		(19,282)	(19,135)
Administrative expenses		(11,973)	(15,862)
Impairment of forest concessions		(560,000)	–
Impairment of property, plant and equipment		(16,000)	–
Biological assets written off		(9,579)	–
Change in fair value of biological assets less cost to sell		–	2,944
Equity-settled share option expenses		<u>(974)</u>	<u>(2,880)</u>
Loss from operations		(617,201)	(34,095)
Finance costs	7	<u>(26,872)</u>	<u>(35,431)</u>
LOSS BEFORE TAX	6	(644,073)	(69,526)
Income tax	8	<u>–</u>	<u>–</u>
LOSS FOR THE YEAR		<u>(644,073)</u>	<u>(69,526)</u>
Attributable to:			
Owners of the Company		(613,037)	(67,157)
Non-controlling interests		<u>(31,036)</u>	<u>(2,369)</u>
LOSS FOR THE YEAR		<u>(644,073)</u>	<u>(69,526)</u>
LOSS PER SHARE			
Basic and diluted	10	<u>(HK8.0 cents)</u>	<u>(HK1.2 cents)</u>
DIVIDEND	9	<u>–</u>	<u>–</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
LOSS FOR THE YEAR	(644,073)	(69,526)
Other comprehensive loss:		
Exchange difference on translating of financial statements of overseas subsidiaries	<u>(6)</u>	<u>(21)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(644,079)</u>	<u>(69,547)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(613,043)	(67,178)
Non-controlling interests	<u>(31,036)</u>	<u>(2,369)</u>
	<u>(644,079)</u>	<u>(69,547)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		13,106	39,424
Forest concessions	<i>11</i>	269,811	829,811
Biological assets	<i>12</i>	<u>–</u>	<u>9,579</u>
Total non-current assets		<u>282,917</u>	<u>878,814</u>
Current assets			
Trade receivables	<i>13</i>	2,365	2,878
Prepayments, deposits and other receivables		26,498	2,314
Inventories		–	1,914
Cash and cash equivalents		<u>2,620</u>	<u>35,681</u>
Total current assets		<u>31,483</u>	<u>42,787</u>
Total assets		<u>314,400</u>	<u>921,601</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Issued capital		85,786	63,786
Reserves		<u>30,016</u>	<u>516,808</u>
		115,802	580,594
Non-controlling interests		<u>4,336</u>	<u>35,372</u>
Total equity		<u>120,138</u>	<u>615,966</u>
Non-current liabilities			
Convertible bonds		<u>189,705</u>	<u>304,111</u>
Current liabilities			
Other payables and accruals		<u>4,557</u>	<u>1,524</u>
Total liabilities		<u>194,262</u>	<u>305,635</u>
Total equity and liabilities		<u>314,400</u>	<u>921,601</u>
Net current assets		<u>26,926</u>	<u>41,263</u>
Total assets less current liabilities		<u>309,843</u>	<u>920,077</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	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
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 loss	-	-	-	-	-	(21)	-	(21)	-	(21)
Total comprehensive loss	-	-	-	-	-	(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 and 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 year	-	-	-	-	-	-	(613,037)	(613,037)	(31,036)	(644,073)
Other comprehensive loss	-	-	-	-	-	(6)	-	(6)	-	(6)
Total comprehensive loss	-	-	-	-	-	(6)	(613,037)	(613,043)	(31,036)	(644,079)
Issue of new shares upon conversion of convertible bonds	18,000	146,276	-	(22,999)	-	-	-	141,277	-	141,277
Equity-settled share option arrangements	-	-	-	-	974	-	-	974	-	974
Issue of new shares (share-based payments)	4,000	2,000	-	-	-	-	-	6,000	-	6,000
Forfeiture of share options	-	-	-	-	(14,491)	-	14,491	-	-	-
At 31 December 2012	85,786	703,864*	66,710*	28,733*	974*	22*	(770,287)*	115,802	4,336	120,138

* These reserve accounts comprise the consolidated reserves of approximately HK\$30,016,000 (2011: HK\$516,808,000) 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 and applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. 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 2012. 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 HKFRS 7	Disclosures – Transfers of Financial Assets
Amendment to HKAS 12	Recovery of Underlying Assets

The initial application of these HKFRSs does not necessitate material changes in the Group’s accounting policies or retrospective adjustments of the comparatives presented.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSS

The following HKFRSs in issue at 31 December 2012 have not been applied in the preparation of the Company’s consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2012:

HKAS 19 (2011)	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements

HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10	Investment Entities
Annual improvements to HKFRSs (2009-2011)	Amendments to HKAS 1, HKAS 16 and HKAS 32

The Group is required to initially apply these HKFRSs in its annual consolidated financial statements beginning on 1 January 2013, except that the Company is required to initially apply Amendments to HKAS 32 and HKFRS 10 in its annual consolidated financial statements beginning on 1 January 2014 and HKFRS 9 in its annual consolidated financial statements beginning on 1 January 2015.

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

4. SEGMENT REPORTING

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

- (a) the trading business segment engaged in the trading of goods, 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 engaged 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 arised 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 2012

<i>HK\$'000</i>	Trading business	Forestry business	Plantation business	Total	Reconciliations	Group Total
Segment revenue:						
Revenue from external customers	<u>7,909</u>	<u>-</u>	<u>-</u>	<u>7,909</u>	<u>-</u>	<u>7,909</u>
Operating profit/(loss)	167	(600,815)	(550)	(601,198)	-	(601,198)
Interest income	-	25	-	25	120	145
Finance costs	-	(26,872)	-	(26,872)	-	(26,872)
Biological assets written off	-	-	(9,579)	(9,579)	-	(9,579)
Reconciled items:						
Unallocated expenses	-	-	-	-	(5,595)	(5,595)
Equity-settled share option expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(974)</u>	<u>(974)</u>
Profit/(loss) before tax	<u>167</u>	<u>(627,662)</u>	<u>(10,129)</u>	<u>(637,624)</u>	<u>(6,449)</u>	<u>(644,073)</u>
Impairment loss on forest concessions						
	-	(560,000)	-	(560,000)	-	(560,000)
Impairment loss on property, plant and equipment						
	-	(16,000)	-	(16,000)	-	(16,000)
Depreciation	<u>-</u>	<u>(7,078)</u>	<u>(123)</u>	<u>(7,201)</u>	<u>-</u>	<u>(7,201)</u>

For the year ended 31 December 2011

<i>HK\$'000</i>	Trading business	Forestry business	Plantation business	Total	Reconciliations	Group Total
Segment revenue:						
Revenue from external customers	<u>4,072</u>	<u>4,819</u>	<u>-</u>	<u>8,891</u>	<u>-</u>	<u>8,891</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,880)</u>	<u>(2,880)</u>
Profit/(loss) before tax	<u>85</u>	<u>(61,196)</u>	<u>1,951</u>	<u>(59,160)</u>	<u>(10,366)</u>	<u>(69,526)</u>
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	<u>-</u>	<u>(3,724)</u>	<u>-</u>	<u>(3,724)</u>	<u>-</u>	<u>(3,724)</u>

As at 31 December 2012

<i>HK\$'000</i>	Trading business	Forestry business	Plantation business	Total	Reconciliations	Group Total
Segment assets	2,365	280,960	-	283,325	-	283,325
Reconciled items:						
Cash and cash equivalents	-	-	-	-	48	48
Unallocated assets	-	-	-	-	31,027	31,027
Total assets	<u>2,365</u>	<u>280,960</u>	<u>-</u>	<u>283,325</u>	<u>31,075</u>	<u>314,400</u>
Segment liabilities	-	1,047	-	1,047	-	1,047
Convertible bonds	-	189,705	-	189,705	-	189,705
Reconciled items:						
Unallocated liabilities	-	-	-	-	3,510	3,510
Total liabilities	<u>-</u>	<u>190,752</u>	<u>-</u>	<u>190,752</u>	<u>3,510</u>	<u>194,262</u>

As at 31 December 2011

<i>HK\$'000</i>	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	<u>2,878</u>	<u>880,016</u>	<u>9,579</u>	<u>892,473</u>	<u>29,128</u>	<u>921,601</u>
Segment liabilities	-	1,284	-	1,284	-	1,284
Convertible bonds	-	304,111	-	304,111	-	304,111
Reconciled items:						
Unallocated liabilities	-	-	-	-	240	240
Total liabilities	<u>-</u>	<u>305,395</u>	<u>-</u>	<u>305,395</u>	<u>240</u>	<u>305,635</u>

Geographical information

(a) Revenue from external customers

	<i>Note</i>	Year ended 31 December	
		2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	5	<u>7,909</u>	<u>8,891</u>

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

(b) Non-current assets

	As at 31 December	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Indonesia	282,731	878,136
Hong Kong (place of domicile)	<u>186</u>	<u>678</u>
	<u>282,917</u>	<u>878,814</u>

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	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A – revenue from forestry and trading business – Hong Kong	7,909	6,966
Customer B – revenue from forestry business – Hong Kong	<u>–</u>	<u>1,925</u>
	<u>7,909</u>	<u>8,891</u>

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<u>Revenue</u>		
Sales of goods attributable to the trading business	7,909	4,072
Sales of logs attributable to the forestry business	–	4,819
	7,909	8,891
<u>Other income</u>		
Interest income on bank deposit	145	39
Others	295	4
	440	43

6. LOSS BEFORE TAX

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(a) Staff costs (including directors' emoluments)*:		
Salaries, wages and other benefits	9,886	15,318
Termination expenses	1,104	–
Equity-settled share-option expenses	974	2,880
Pension scheme contributions	97	140
	<u>12,061</u>	<u>18,338</u>
(b) Other items:		
Auditors' remuneration		
– Audit services	741	761
Depreciation**	7,201	6,363
Cost of inventories sold***	–	8,096
Minimum lease payments under operating leases:		
Land and buildings	1,071	1,143
Loss on disposal of property, plant and equipment	1,089	5
Amortisation of forest concessions	–	3,724
Impairment of forest concessions	560,000	–
Impairment of property, plant and equipment	16,000	–
Impairment of prepayments, deposits and other receivables	1,701	–
Biological assets written off	9,579	–
Inventories written off	1,914	–
Fair value gain on biological assets	–	(2,944)
Foreign exchange loss, net	346	10

* In 2011, the amount excludes staff costs capitalised in inventories as at year end of approximately HK\$389,000 (2012: nil).

** In 2011, the amount excludes depreciation capitalised in inventories as at year end of approximately HK\$822,000 (2012: nil).

*** In 2011, cost of inventories sold includes depreciation of approximately HK\$1,638,000 (2012: nil), and staff costs of approximately HK\$757,000 (2012: nil), the amount of which are also included in the respective total amounts disclosed separately above.

7. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest charge on convertible bonds	<u>26,872</u>	<u>35,431</u>

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 (2011: 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 (2011: 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<u>Loss</u> Loss attributable to owners of the Company used in the basic loss per share calculation	<u>(613,037)</u>	<u>(67,157)</u>
	Number of shares (thousands)	
<u>Shares</u> Weighted average number of ordinary shares in issue during the year	<u>7,670,944</u>	<u>5,725,312</u>

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2012 and 2011 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.

11. FOREST CONCESSIONS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<u>Cost:</u>		
At 1 January and 31 December	<u>833,801</u>	<u>833,801</u>
<u>Accumulated amortisation:</u>		
At 1 January	(3,990)	(266)
Charge for the year	<u>–</u>	<u>(3,724)</u>
At 31 December	<u>(3,990)</u>	<u>(3,990)</u>
<u>Accumulated impairment:</u>		
At 1 January	–	–
Impairment for the year	<u>(560,000)</u>	<u>–</u>
At 31 December	<u>(560,000)</u>	<u>–</u>
<u>Carrying amount:</u>		
At 31 December	<u>269,811</u>	<u>829,811</u>

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 licence which allows logging, land clearing and plantation of oil palm trees.

In March 2013, 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 licence or Governor Decree 35/2009. The legal opinion mentioned that as the Company has obtained all the licences 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.

In 2012, as the result of the unexpected delay of production, the Group carried out a review of the recoverable amount of those concessions and related equipment. These assets are used in the Group's forestry business reportable segments. The recoverable amount of the relevant assets has been determined on the basis of their value in use. In addition, the Group engaged Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group, to value the fair value of the forest concessions. The fair value of the forest concessions as at 31 December 2012 was approximately HK\$ 278,000,000 (2011: HK\$ 938,000,000) based on the income based approach. The discount rate adopted was 20.47% as at 31 December 2012 (2011: 19.44%).

The review led to recognition of an impairment loss on forest concessions and property, plant and equipment of approximately HK\$560,000,000 and HK\$ 16,000,000 respectively, which has been recognised in the income statements (2011: nil).

12. BIOLOGICAL ASSETS

	2012	2011
	HK\$'000	HK\$'000
At the beginning of the year	9,579	6,635
Additions	–	–
Fair value gain on biological assets less cost to sell	–	2,944
Biological assets written off	(9,579)	–
	<u>–</u>	<u>–</u>
At end of the year	<u>–</u>	<u>9,579</u>

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 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 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. Considering the postponement of the Group's forestry project, the management determined to write off the biological assets of approximately HK\$9,579,000 in 2012.

13. TRADE RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	<u>2,365</u>	<u>2,878</u>

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

	2012		2011	
	Balance <i>HK\$'000</i>	Percentage	Balance <i>HK\$'000</i>	Percentage
Current to 30 days	443	19	908	32
31 to 60 days	1,026	43	1,668	58
61 to 120 days	896	38	302	10
	<u>2,365</u>	<u>100</u>	<u>2,878</u>	<u>100</u>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Neither past due nor impaired	<u>2,365</u>	<u>2,878</u>

Receivables that were neither past due nor impaired relate to a customer for whom there was no recent history of default. The Group does not hold any collateral over these balances.

FINANCIAL REVIEW

Highlights on financial results

<i>(HK\$'000, except percentage figures)</i>	Year ended 31 December		
	2012	2011	Change
Revenue	7,909	8,891	-11.0%
Gross profit	167	795	-79.0%
Gross profit margin	2.1%	8.9%	-6.8 percentage points
Operating expenses	(19,282)	(19,135)	+0.8%
Administrative expenses	(11,973)	(15,862)	-24.5%
Non-cash items:			
Depreciation*	(7,201)	(6,363)	+13.2%
Amortization**	-	(3,724)	-100.0%
Inventories written off**	(1,914)	-	Not applicable
Biological assets written off	(9,579)	-	Not applicable
Impairment of prepayments, deposits and other receivables**	(1,701)	-	Not applicable
Impairment of forest concessions	(560,000)	-	Not applicable
Impairment of property, plant and equipment	(16,000)	-	Not applicable
Change in fair value of biological assets less cost to sell	-	2,944	-100.0%
Equity-settled share option expenses	(974)	(2,880)	-66.2%
Finance costs	(26,872)	(35,431)	-24.2%
Loss for the year	(644,073)	(69,526)	+826.4%
Loss excluding non-cash items***	(19,832)	(24,072)	-17.6%

* *In 2012, all of the depreciation was included in the operating and administrative expenses. In 2011, approximately HK\$1,638,000 of the depreciation was included in cost of sales while the rest was included in the operating and administrative expenses.*

** *These items were included in operating expenses*

*** *Loss for the year less non-cash items stated*

Discussion on financial results

The revenue of the Group in 2012, which was solely generated from the trading business, dropped by 11.0% to approximately HK\$7,909,000 from approximately HK\$8,891,000 in 2011, which was generated from both the trading business and the logging activities of forestry business. As the trading business has a lower profit margin than the forestry business, the gross profit margin of the Group notably decreased to approximately 2.1% or HK\$167,000 in 2012 from approximately 8.9% or HK\$795,000 in 2011.

The operating expenses of the Group in 2012 was approximately HK\$19,282,000, which remained at a similar level compared to that of 2011, as the savings in downsizing its operation in Indonesia were offset by the restructuring related expenses there. The administrative expenses of the Group decreased by 24.5% to approximately HK\$11,973,000 in 2012 from approximately HK\$15,862,000 in 2011, mainly due to the reduction in staff costs and director emoluments.

During the year ended 31 December 2012, depreciation increased by 13.2% to approximately HK\$7,201,000 in 2012 from approximately HK\$6,363,000 in 2011, as no depreciation was capitalized in inventories in 2012 when the production came to a halt. In 2011, depreciation of approximately HK\$822,000 was capitalized in inventories.

Amortization represented the amortization of the Group's forest concessions in Indonesia covering an area of 313,500 hectares. It is charged on a unit of production basis. In 2012, logging activities stopped and therefore no amortization was charged. In 2011, the Group was granted wood utilization permit to perform logging covering an area of 1,500 hectares and amortization of approximately HK\$3,724,000 was charged accordingly.

In 2012, the Group wrote off obsolete log and wood inventories and palm oil planting biological assets of approximately HK\$1,914,000 and HK\$9,579,000 respectively. Impairment of approximately HK\$1,701,000 was made in respect of the other receivables related to the operation in Indonesia. The postponement of the Group's forestry project and lower market prices for timber products had also led to the impairment of approximately HK\$560,000,000 and HK\$16,000,000 to the forest concessions and property, plant and equipment respectively. In 2011, the Group recorded a gain of approximately HK\$2,944,000 as change in fair value of the biological assets, with reference to the growth status of the palm oil seedlings at that time.

During the year ended 31 December 2012, the old share option scheme of the Company, which was adopted in 2002, expired. All the outstanding share options thereunder, a total of 307,000,000 share options, were lapsed because of the expiry of the option period and the corresponding share option reserve of approximately HK\$14,491,000 was released directly

to the accumulated losses. A total of 83,500,000 share options were granted in 2012 whereas 107,000,000 share options were granted in 2011. The associated equity-settled share option expense, which was non-cash in nature and represented the fair value of the share options granted, was approximately HK\$974,000 and HK\$2,880,000 in 2012 and 2011 respectively.

Finance cost of the Group represented solely the non-cash imputed interest charge in the liability component of the Group's zero coupon convertible bonds. The cost decreased by 24.2% to approximately HK\$26,872,000 in 2012 from approximately HK\$35,431,000 in 2011, which was mainly due to the decrease in average balance of the liability component when certain convertible bonds were converted into the shares of the Company during 2012.

Loss for the year increased by 826.4% to approximately HK\$644,073,000 in 2012 from approximately HK\$69,526,000 in 2011. The significant increase in loss was mainly due to the aforesaid impairments in relation to the forest concessions and property, plant and equipment.

Excluding the effects of non-cash items like share option expenses, finance costs, depreciation, amortisation, impairments of prepayments, deposits and other receivables, forest concessions and property, plant and equipment and the written off of inventories and biological assets, the Group recorded a lower loss before tax at HK\$19,832,000 in 2012 compared to HK\$24,072,000 in 2011. The reduction was mainly because the Group had downsized its work forces.

Analysis by business segment

<i>(HK\$'000)</i>	Revenue		Profit/(loss) before tax	
	Year ended 31 December			
	2012	2011	2012	2011
Trading business	7,909	4,072	167	85
Forestry business	–	4,819	(627,662)	(61,196)
Plantation business	–	–	(10,129)	1,951
Total	<u>7,909</u>	<u>8,891</u>	<u>(637,624)</u>	<u>(59,160)</u>

Revenue from our trading business increased by 94.2% from approximately HK\$4,072,000 in 2011 to approximately HK\$7,909,000 in 2012, as the Group strived to grow the business of trading of agricultural-related commodities, which provided a stable source of revenue.

Same as 2011, no revenue was recorded for the Group's plantation business in 2012. Considering that economies of scale could not be achieved at this stage when the logging activities were stopped in 2012, the in-house team taking care of the plantings was dissolved and the palm oil plantings of approximately HK\$9,579,000 were written off.

Compared to 2011, loss before tax from the forestry business in 2012 increased significantly, which was mainly due to the impairments related to the forest concessions and property, plant and equipment related to the forestry business. Plantation business incurred a loss before tax of approximately HK\$10,129,000 in 2012 whereas it incurred a profit before tax of approximately HK\$1,951,000 in 2011. It was because gain in change of fair value of biological assets of approximately HK\$2,944,000 was recorded in 2011 but the biological assets of approximately HK\$9,579,000 were written off in 2012.

Analysis by geographical segment

	Year ended 31 December			
	2012		2011	
<i>(HK\$'000, except percentage figures)</i>	Revenue	Proportion	Revenue	Proportion
Hong Kong	<u>7,909</u>	<u>100%</u>	<u>8,891</u>	<u>100%</u>

All the Group's revenue was derived from Hong Kong in 2012 and 2011.

Highlights on financial position

<i>(HK\$'000, except percentage figures)</i>	As at 31 December		
	2012	2011	Change
Property, plant and equipment	13,106	39,424	-66.8%
Forest concessions	269,811	829,811	-67.5%
Biological assets	-	9,579	-100.0%
Trade receivables	2,365	2,878	-17.8%
Inventories	-	1,914	-100.0%
Prepayments, deposits and other receivables	26,498	2,314	+1,045.1%
Cash and cash equivalents	2,620	35,681	-92.7%
Other payables and accruals	4,557	1,524	+199.0%
Convertible bonds – liability component	189,705	304,111	-37.6%
Non-controlling interests	4,336	35,372	-87.7%
Shareholders' funds	115,802	580,594	-80.1%

Discussion on financial position

Property, plant and equipment decreased to approximately HK\$13,106,000 as at 31 December 2012 from approximately HK\$39,424,000 as at 31 December 2011. The decrease was mainly due to disposals of items with net book value of approximately HK\$3,117,000, the depreciation of approximately HK\$7,201,000 and impairment of approximately HK\$16,000,000 in 2012.

Forest concessions decreased to approximately HK\$269,811,000 as at 31 December 2012 from approximately HK\$829,811,000 as at 31 December 2011. The decrease was due to the impairment made in 2012.

Biological assets in 2011 represented the fair value of palm oil plantings with reference to the growth status. All of the seedlings were written off as the in-house team taking care of the plantings was dissolved in 2012.

Trade receivables decreased to approximately HK\$2,365,000 as at 31 December 2012 from approximately HK\$2,878,000 as at 31 December 2011, as the Group put more effort in credit control and collection.

Inventories in 2011 represented the value of logs. All of the obsolete logs and woods were written off as they became bad and rotten due to delay in moving from forest to factory.

Prepayments, deposits and other receivables increased to approximately HK\$26,498,000 as at 31 December 2012 from approximately HK\$2,314,000 as at 31 December 2011. The significant increase in 2012 was mainly due to the payment of HK\$20,000,000 as a deposit for the proposed very substantial acquisition of Ever Hero Group and the prepayment of HK\$6,000,000 for the acquisition of 0.8 million metric tonnes of tailings in relation to the share-based transaction during the year.

Cash and cash equivalents decreased significantly by 92.7% to approximately HK\$2,620,000 as at 31 December 2012 from approximately HK\$35,681,000 as at 31 December 2011. The decrease was mainly caused by payment of the deposit of HK\$20,000,000 for the aforesaid proposed acquisition of Ever Hero Group and the net cash outflow to finance operational expenses.

Other payables and accruals increased to approximately HK\$4,557,000 as at 31 December 2012 from approximately HK\$1,524,000 as at 31 December 2011. The increase was mainly due to the legal and professional fees incurred in late 2012 for the proposed very substantial acquisition of Ever Hero Group.

The liability component of the convertible bonds decreased by 37.6% to approximately HK\$189,705,000 as at 31 December 2012 from approximately HK\$304,111,000 as at 31 December 2011. The decrease was mainly due to the conversion of certain convertible bonds during 2012. The outstanding principal amounted to approximately HK\$224,880,000 and HK\$404,880,000 respectively as at 31 December 2012 and 2011.

Non-controlling interests decreased to approximately HK\$4,336,000 as at 31 December 2012 from approximately HK\$35,372,000 as at 31 December 2011. The decrease was mainly due to the sharing of loss, including the impairments related to the forest concessions and property, plant and equipment, in our non-wholly owned Indonesian subsidiaries by their non-controlling shareholders for 2012.

The Group's shareholders' funds decreased to approximately HK\$115,802,000 as at 31 December 2012 from approximately HK\$580,594,000 as at 31 December 2011. The decrease was mainly due to the loss attributable to the owners of the Company of approximately HK\$613,037,000, partially offset by the increase in share premium of approximately HK\$146,276,000 mainly related to the conversion of convertible bonds.

Capital structure and gearing ratio

	As at 31 December			
	2012		2011	
	HK\$'000	Proportion	HK\$'000	Proportion
Total borrowings				
– Convertible bonds (liability component)	189,705	62.1%	304,111	34.4%
Equity	115,802	37.9%	580,594	65.6%
Total capital employed	<u>305,507</u>	<u>100.0%</u>	<u>884,705</u>	<u>100.0%</u>

The Group's gearing ratio was approximately 62.1% as at 31 December 2012 (2011: 34.4%). The increase was mainly due to the aforesaid decrease in shareholders' funds largely contributed by the loss attributable to the owners of the Company.

During the year ended 31 December 2012, convertible bonds with an aggregate principal amount of HK\$180 million were converted into 1.8 billion shares of the Company with par value of HK\$0.01 each. The outstanding principal amounted to approximately HK\$224,880,000 as at 31 December 2012 (2011: HK\$404,880,000). 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 31 December 2012 and 2011.

Liquidity and financial resources

<i>(HK\$'000)</i>	As at 31 December	
	2012	2011
Current assets	31,483	42,787
Current liabilities	<u>4,557</u>	<u>1,524</u>
Current ratio	<u>690.9%</u>	<u>2,807.5%</u>

The current ratio of the Group as at 31 December 2012 was 690.9% (2011: 2,807.5%), reflecting the fact that the liquidity of the Group remained healthy in 2012.

As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately HK\$2,620,000 (2011: HK\$35,681,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 31 December 2012 and 2011. As at 31 December 2012, about 22.0% (2011: 87.1%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 100.0% (2011: 92.6%) were denominated in Hong Kong dollars.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2012 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 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

As at 31 December 2012, the Group did not have any significant contingent liabilities.

Acquisition and disposal of subsidiaries and affiliated companies

Details of acquisition and disposal of subsidiaries during the year ended 31 December 2012 are disclosed in the notes to the financial statements of the annual report of the Company. The Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2011.

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2012 and 2011.

Pledge of assets

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

Capital commitments

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

Employees and remuneration policy

As at 31 December 2012, the Group employed 27 staff (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 31 December 2012, there were outstanding share options of 83,500,000 (2011: 307,000,000).

Event after the reporting period

On 17 January 2013, 595,000,000 share options were granted to the eligible participants under the share option scheme, among which 93,500,000 and 495,000,000 share options were exercised on 18 January 2013 and 1 February 2013 respectively. Besides, 4,000,000 share options were lapsed on 1 February 2013.

Pursuant to the announcement dated on 20 February 2013, the directors propose the share consolidation on the basis that every forty shares of HK\$0.01 be consolidated into one consolidated share of HK\$0.40 each. In addition, subject to the share consolidation becoming effective, the directors propose the capital reduction pursuant to which the par value of each of the issued consolidated shares will be reduced from HK\$0.40 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.39 per issued consolidated shares.

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2012.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 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 31 December 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	
Cheung Wai Yin, Wilson (<i>Note</i>)	–	1,500,000,000	1,500,000,000	17.49
Ma Hang Kon, Louis	9,800,000	–	9,800,000	0.11

Note: Mr. Cheung Wai Yin, Wilson, through Ivana Investments Limited ("Ivana"), which is controlled by him through his 100% direct interests in it, has on 14 August 2012 obtained these shares from Merdeka Commodities Limited ("MCL"), a company which was 100% held by Mr. Ma Hang Kon, Louis.

(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	0.70
Lau Ho Wai, Lucas	30/5/2012	30/5/2012– 29/5/2022	0.017	3,500,000	3,500,000	0.04
Lam Kin Kau, Mark	30/5/2012	30/5/2012– 29/5/2022	0.017	3,500,000	3,500,000	0.04

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

Name of the holder of the convertible bonds	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Cheung Wai Yin, Wilson (<i>Note</i>)	189,880,000	1,898,800,000	22.13

Note: Mr. Cheung Wai Yin, Wilson has on 14 August 2012 obtained from MCL these convertible bonds through Ivana which is controlled by him through his 100% direct interests in Ivana. These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014) were issued by the Company to MCL on 12 August 2008 as part of the consideration to acquire the forestry business. They 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 according to the terms of the convertible bonds).

Save as disclosed above, as at 31 December 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 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" and "Share Option Scheme" above, at no time during the year ended 31 December 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 31 December 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 (%)
Ivana	Directly beneficially owned	1	1,500,000,000	17.49
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned		1,331,764,070	15.52
CCT Capital International Holdings Limited	Through a controlled corporation	2	1,331,764,070	15.52
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	2	1,331,764,070	15.52
Mak Shiu Tong, Clement	Through a controlled corporation	2 and 3	1,331,764,070	15.52

Notes:

1. Ivana has financial arrangement with Good Profit Capital Limited (“Good Profit”) over these 1,500,000,000 shares, in which Good Profit has security interest over the same block of 1,500,000,000 shares. Mr. Au Yik Fei and Mr. Fung Hon Leung are deemed to be interested in such shares of the Company under the SFO as each of them is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Good Profit through his controlling interest in the shareholding of Good Profit as at 31 December 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 31 December 2012.

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

Name of the holder of the convertible bonds	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Ivana	189,880,000	1,898,800,000	22.13

Note: Ivana has on 14 August 2012 obtained from MCL these convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014), which were issued by the Company to MCL on 12 August 2008 as part of the consideration to acquire the forestry business. They 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 according to the terms of the convertible bonds).

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 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, a total of 307,000,000 share options, were 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 31 December 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 0.97% and 0.91% of the total issued share capital of the Company as at 31 December 2012 and the date of this announcement respectively.

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

Name or category of the participants	Number of share options					Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1) HK\$ per share	Price of the shares before the date of grant (Note 2) HK\$ per share
	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 December 2012				
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
	<u>60,000,000</u>	<u>60,000,000</u>	<u>-</u>	<u>(60,000,000)</u>	<u>60,000,000</u>				

Name or category of the participants	Number of share options				Outstanding as at 31 December 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					
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
	<u>40,000,000</u>	<u>-</u>	<u>-</u>	<u>(40,000,000)</u>	<u>-</u>				
Independent non-executive directors									
Fung Hoi Wing, Henry (Note 4)	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									
Employees	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
Other eligible participants	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
	<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:

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. These directors resigned on 15 May 2012.
4. The director resigned on 26 October 2012.

During the year ended 31 December 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 (one of whom resigned on 26 October 2012) 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
Lau Ho Wai, Lucas	3,500,000	40,826
Lam Kin Kau, Mark	3,500,000	40,826
Fung Hoi Wing, Henry (resigned as a director of the Company on 26 October 2012)	3,500,000	40,826
Others	<u>13,000,000</u>	<u>151,641</u>
	<u>83,500,000</u>	<u>974,000</u>

The fair value of the share options granted during the year ended 31 December 2012 was approximately HK\$974,000 (2011: HK\$2,880,280) of which the Group recognised a share option expense of approximately HK\$974,000 (2011: HK\$2,880,280) 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 (%)	89.4
Historical volatility (%)	89.4
Risk-free interest rate (%)	0.52
Expected life of share options (year)	5
Closing share price at grant date (HK\$)	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.

As at the date of this announcement, 595,000,000 share options were granted subsequent to the balance sheet date on 17 January 2013, among which 100,000,000 share options were granted to four directors. 93,500,000 and 495,000,000 share options were exercised on 18 January 2013 and 1 February 2013 respectively, whereas 4,000,000 share options were lapsed on 1 February 2013. As a result, the Company had 86,000,000 share options outstanding under the New Share Option Scheme, which represented approximately 0.94% of the shares in issue as at that date.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 2012, the Board has reviewed the Group’s corporate governance practices and is satisfied that the Company has complied with the code provisions under the Corporate Governance Code (the “Code”) set out in Appendix 15 to the GEM Listing Rules, except for the following deviations from the code provisions of the Code:

Code Provision A.2.1

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

There is no separation of the roles of chairman and chief executive as set out in the Code Provision A.2.1.

Mr. Cheung Wai Yin, Wilson currently assumes the roles of both the chairman and chief executive officer of the Company. Traditionally, the chief executive officer of the Company also assumes the role of the chairman of the Company because it is believed that the structure of the Board ensures the balance of power and authority therefore no need to segregate the roles of the chairman and chief executive officer of the Company. During the period from 27 January 2011 to 15 May 2012, Mr. Yeh Shuen Ji assumed the role of the chairman of the Company while Mr. Ma Hang Kon, Louis has been assuming the role of the chief executive officer of the Company. Following the resignation of Mr. Yeh Shuen Ji as a non-executive director and the chairman of the Company, Mr. Ma Hang Kon, Louis and his successor, Mr. Cheung Wai Yin, Wilson, both of whom have substantial experience that is essential to fulfilling such role, have assumed also the role of the chairman of the Company. At the same time, Mr. Ma and Mr. Cheung have the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the chief executive officer of the Company in the day-to-day management of the Group.

The Board is currently composed of seven directors including three independent non-executive directors (the “INED(s)”) with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the management of the Company’s major operating subsidiaries are performed by other individuals. The balance of power and authority is therefore ensured by the current structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board, as

well as the Company, intends to comply with this Code Provision by seeking and appointing suitable candidate with appropriate background, acknowledge, experience and calibre to assume the role as the chairman of the Company.

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.

Two of the existing three INED(s) of the Company are not appointed for a specific term but they 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 the Company is in compliance with paragraph 4(2) of Appendix 3 under the GEM Listing Rules and such a deviation is not material as casual vacancy is expected 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.

Model Code for Securities Transactions by the Directors

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 2012.

Nomination Committee

On 22 March 2012, the Company established the nomination committee (the “Nomination Committee”) with specific written terms of reference in line with the code provisions under the Code. The Nomination Committee consists of five members comprising three INEDs, namely Mr. Lam Kin Kau, Mark, Ms. Yeung Mo Sheung, Ann and Mr. Lau Ho Wai, Lucas, and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. 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 Code. The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Lam Kin Kau, Mark, Ms. Yeung Mo Sheung, Ann and Mr. Lau Ho Wai, Lucas, and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. 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, Ms. Yeung Mo Sheung, Ann 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 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.

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. Two of the three 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 2012, 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 2012.

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

The results announcement of the Company for the year ended 31 December 2012 will be published and remains on the website of the Company at <http://www.merdeka.com.hk> 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 2013.

ANNUAL GENERAL MEETING

The notice of the 2013 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
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 22 March 2013

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

Executive Directors:

Mr. Cheung Wai Yin, Wilson (*Chairman and Chief Executive Officer*)

Mr. Lau Chi Yan, Pierre

Mr. Ma Hang Kon, Louis

Non-executive Director:

Mr. Wong Chi Man

Independent Non-executive Directors:

Mr. Lam Kin Kau, Mark

Ms. Yeung Mo Sheung, Ann

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 website of the Company at <http://www.merdeka.com.hk>.