

MERDEKA

Merdeka Resources Holdings Limited

萬德資源集團有限公司\*

STOCK CODE 股份代號：8163

\* for identification purposes only

\* 僅供識別

INTERIM REPORT 2013

二零一三年中期報告

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

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)的特色

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

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

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本報告乃遵照《聯交所創業板證券上市規則》(「《創業板上市規則》」)的規定而刊載，旨在提供有關Merdeka Resources Holdings Limited(萬德資源集團有限公司\*)(「本公司」)之資料；本公司各董事願共同及個別對此承擔全部責任。本公司各董事經作出一切合理查詢後，確認就彼等所深知及確信，本報告所載資料在一切重大方面均屬準確及完整，且無誤導或欺詐成分，且無遺漏任何其他事實，致使本報告或其所載任何陳述產生誤導。

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six months ended 30 June 2013, the principal businesses of Merdeka Resources Holdings Limited (the "Company") and its subsidiaries (the "Group") continued to be forestry, plantation and trading.

### OPERATION REVIEW

The Group's forestry business and plantation business are related to our forest concessions in the Papua Province of Indonesia. During the period under review, there was no meaningful turnaround in the unfavourable local political environment. The Group substantially scaled down its operation there and disposed certain idle plant and equipment to preserve its financial resources before the resumption of the forestry project.

During the third quarter of 2012, the Group completed a share-based transaction to acquire 0.8 million metric tonnes of tailings in the Papua Province of Indonesia. Since then, there had been various delays in the taking of delivery of the tailings, partly due to local social unrests and shootings in the relevant area, and partly due to suspension of access to the area as a result of a fatal mining accident. With the falling prices of commodities, such as copper and gold, it also becomes more challenging to attract buyer for the tailings. The management will continue to work with the supply side and potential buyers on the project. The contract stipulates that all deliveries be taken by August 2014.

The management strives to grow the trading business which could provide a stable source of revenue. In addition to the existing trading of agricultural-related products, the Group commenced the trading of dairy products in the second quarter of 2013.

### FINANCIAL REVIEW

Same as 2012, revenue of the Group for the six months ended 30 June 2013 was generated from the trading business in Hong Kong. The revenue increased to approximately HK\$12,168,000 from approximately HK\$3,949,000 for the corresponding period last year. The increase was mainly due to revenue of approximately HK\$9,386,000 contributed by the aforesaid newly developed trading of dairy products. In addition, as such new trading had a relatively higher gross profit margin, the Group's overall gross profit margin improved from about 2.1% in 2012 to about 3.0% in 2013.

The Group recorded a loss of approximately HK\$21,815,000 for the first half of 2013. The loss was reduced by approximately HK\$8,551,000 compared to that of 2012, mainly due to decreases in operating and administrative expenses and finance cost by approximately HK\$6,698,000 and HK\$4,777,000 respectively, partially offset by the increase in share option expenses of approximately HK\$2,348,000. Reduction in operating and administrative expenses was mainly contributed by savings in downsizing the Group's operation related to the forestry project since the second half of 2012. 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 for the six months ended 30 June 2013 when certain convertible bonds had been converted into shares of the Company during 2012. A total of 595,000,000 share options<sup>#</sup> were granted in the first half of 2013 whereas 83,500,000 share options<sup>#</sup> were granted in that of 2012. 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\$3,322,000 and HK\$974,000 in 2013 and 2012 respectively.

<sup>#</sup> without adjustments for the share consolidation effective on 26 March 2013 and the rights issue completed on 17 July 2013

## SHARE CONSOLIDATION AND RIGHTS ISSUE

The Group's fund raising activities may be affected if the Company's share price continuously approaches the extremities of HK\$0.01. Accordingly, in the first quarter of 2013, the directors proposed a share consolidation on the basis that every forty shares of HK\$0.01 each be consolidated into one consolidated share of HK\$0.40 each. After the share consolidation became effective in March 2013, the directors further proposed rights issue on the basis of two rights shares for every five shares at the subscription price of HK\$0.40 per rights share in June 2013. On 17 July 2013, 91,671,490 rights shares were issued, raising net proceeds of approximately HK\$35 million.

## OUTLOOK

On 18 July 2013, the Group completed the acquisition of 100% interest of Quasicom Systems Limited by the issuance of 20 million new shares of the Company. The acquisition provided the Group with an opportunity to diversify into information system business. Following the successful fund raising rights issue, we have greater flexibility to explore other suitable business opportunities to improve the Group's profitability. In respect of the proposed acquisition of Ever Hero Group, additional time is required to finalize the financial information to be included in the circular to the shareholders.

Finally, we would like to express our sincere thanks to the valuable contributions from two departing independent non-executive directors, Mr. Lam Kin Kau, Mark and Mr. Lau Ho Wai, Lucas, during their tenure of office. We also extend our warm welcome to Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, both of whom were appointed as independent non-executive directors of the Company on 27 July 2013.

## CAPITAL STRUCTURE AND GEARING RATIO

	As at 30 June 2013		As at 31 December 2012	
	HK\$'000 (Unaudited)	Proportion	HK\$'000 (Audited)	Proportion
Total borrowings – Convertible bonds (liability component)	200,941	66.1%	189,705	62.1%
Equity attributable to owners of the Company	103,194	33.9%	115,802	37.9%
Total capital employed	304,135	100.0%	305,507	100.0%

The Group's gearing ratio was approximately 66.1% as at 30 June 2013 (31 December 2012: 62.1%). The increase was mainly due to decrease in shareholders' funds mainly contributed by the loss attributable to the owners of the Company.

The outstanding principal amount of the convertible bonds remained at approximately HK\$224,880,000 as at 30 June 2013 (31 December 2012: HK\$224,880,000). 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 has no other borrowings as at 30 June 2013 and 31 December 2012. There is no material effect of seasonality on the Group's borrowing requirements.

## LIQUIDITY AND FINANCIAL RESOURCES

(HK\$'000)	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Current assets	31,168	31,483
Current liabilities	2,851	4,557
Current ratio	1,093.2%	690.9%

Current ratio as at 30 June 2013 was 1,093.2% (31 December 2012: 690.9%), reflecting the fact that the liquidity of the Group remained healthy.

As at 30 June 2013, the Group's cash and cash equivalents amounted to approximately HK\$2,455,000 (31 December 2012: HK\$2,620,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 30 June 2013 and 31 December 2012. As at 30 June 2013, about 61.6% (31 December 2012: 22.0%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 97.0% (31 December 2012: 100.0%) were denominated in Hong Kong dollars.

## FOREIGN CURRENCY EXPOSURE

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2013 and year ended 31 December 2012, 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 30 June 2013 and 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 period under review are disclosed in Note 9 of the notes to the financial statements. The Group did not acquire or dispose of any material subsidiaries and associates during the period ended 30 June 2012.

## SIGNIFICANT INVESTMENTS

The Group did not acquire or hold any significant investment during the period under review.

## PLEDGE OF ASSETS

As at 30 June 2013 and 31 December 2012, the Group did not have any pledged deposits and assets.

## CAPITAL COMMITMENTS

As at 30 June 2013 and 31 December 2012, the Group did not have any significant capital commitments.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group employed 10 staff (31 December 2012: 27). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Apart from salary payments, other staff benefits included provident fund contributions and medical insurance coverage. Share options may also be granted to eligible employees and persons. As at 30 June 2013, there were outstanding share options of approximately 2,150,000<sup>#</sup> (31 December 2012: 2,087,500<sup>#</sup>, having adjusted for the share consolidation of 40 into 1 effective on 26 March 2013).

<sup>#</sup> without adjustments for the rights issue completed on 17 July 2013

## UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013, together with the comparative unaudited figures for the corresponding periods in 2012, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	2	10,656	1,910	12,168	3,949
Cost of sales		(10,329)	(1,869)	(11,808)	(3,865)
Gross profit		327	41	360	84
Other income and other net gains		1	59	38	135
Operating and administrative expenses		(3,786)	(6,894)	(7,935)	(14,633)
Equity-settled share option expenses		–	(974)	(3,322)	(974)
Finance costs	5	(5,730)	(7,840)	(11,236)	(16,013)
LOSS BEFORE TAX	4	(9,188)	(15,608)	(22,095)	(31,401)
Income tax	6	–	–	–	–
LOSS FOR THE PERIOD		(9,188)	(15,608)	(22,095)	(31,401)
Loss attributable to:					
Owners of the Company		(9,049)	(15,125)	(21,815)	(30,366)
Non-controlling interests		(139)	(483)	(280)	(1,035)
		(9,188)	(15,608)	(22,095)	(31,401)
		HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
LOSS PER SHARE					
Basic and diluted	8	(0.028)	(0.062)	(0.069)	(0.127)

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 2013*

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<b>(9,188)</b>	(15,608)	<b>(22,095)</b>	(31,401)
Other comprehensive loss, after tax: Exchange difference on translating of financial statements of overseas subsidiaries	-	-	-	(6)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(9,188)</b>	(15,608)	<b>(22,095)</b>	(31,407)
Total comprehensive loss attributable to:				
Owners of the Company	<b>(9,049)</b>	(15,125)	<b>(21,815)</b>	(30,372)
Non-controlling interests	<b>(139)</b>	(483)	<b>(280)</b>	(1,035)
	<b>(9,188)</b>	(15,608)	<b>(22,095)</b>	(31,407)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2013

	<i>Notes</i>	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	10,063	13,106
Forest concessions		269,811	269,811
Total non-current assets		279,874	282,917
<b>Current assets</b>			
Trade receivables	11	1,778	2,365
Prepayments, deposits and other receivables		26,935	26,498
Cash and cash equivalents	13	2,455	2,620
Total current assets		31,168	31,483
<b>Total assets</b>		<b>311,042</b>	<b>314,400</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	15	91,671	85,786
Reserves		11,523	30,016
		103,194	115,802
<b>Non-controlling interests</b>		<b>4,056</b>	<b>4,336</b>
<b>Total equity</b>		<b>107,250</b>	<b>120,138</b>
<b>Non-current liabilities</b>			
Convertible bonds	14	200,941	189,705
<b>Current liabilities</b>			
Other payables and accruals		2,851	4,557
<b>Total liabilities</b>		<b>203,792</b>	<b>194,262</b>
<b>Total equity and liabilities</b>		<b>311,042</b>	<b>314,400</b>
<b>Net current assets</b>		<b>28,317</b>	<b>26,926</b>
<b>Total assets less current liabilities</b>		<b>308,191</b>	<b>309,843</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	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		Share option reserve (Unaudited) HK\$'000	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	of						
				(Unaudited) HK\$'000	(Unaudited) HK\$'000						
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	72,286	623,483	66,710	40,872	974	22	(187,616)	616,731	34,337	651,068	
At 1 January 2013	85,786	703,864	66,710	28,733	974	22	(770,287)	115,802	4,336	120,138	
Changes in equity for 2013:											
Loss for the period	-	-	-	-	-	-	(21,815)	(21,815)	(280)	(22,095)	
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	
Total comprehensive loss	-	-	-	-	-	-	(21,815)	(21,815)	(280)	(22,095)	
Issue of new shares upon exercise of share options	5,885	3,286	-	-	(3,286)	-	-	5,885	-	5,885	
Forfeiture of share options	-	-	-	-	(47)	-	47	-	-	-	
Equity-settled share option arrangements	-	-	-	-	3,322	-	-	3,322	-	3,322	
At 30 June 2013	91,671	707,150	66,710	28,733	963	22	(792,055)	103,194	4,056	107,250	

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2013*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2013</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Net cash flows used in operating activities		<b>(6,020)</b>	(11,282)
Net cash flows (used in)/generated from investing activities		<b>(30)</b>	135
Net cash flows generated from financing activities		<b>5,885</b>	–
Net decrease in cash and cash equivalents		<b>(165)</b>	(11,147)
Cash and cash equivalents at beginning of period		<b>2,620</b>	35,681
Cash and cash equivalents at end of period		<b>2,455</b>	24,534
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	13	<b>2,455</b>	24,534

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 2012 (the “2012 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2012 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 2013. The adoption of the new and revised HKFRSs does not have any significant financial impact on the interim financial statements.

HKAS 19 (2011)	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
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 HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual improvements to HKFRSs (2009-2011)	Amendments to HKAS 1, HKAS 16 and HKAS 32

## 2. REVENUE

Revenue, which is also the Group’s turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the six-month period under review.

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000
Sale of goods attributable to the trading business	10,656	1,910	12,168	3,949

### 3. 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 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 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 convertible bonds, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

## 3. SEGMENT REPORTING (continued)

## For the six months ended 30 June 2013

	Trading business (Unaudited) HK\$'000	Forestry business (Unaudited) HK\$'000	Plantation business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Reconciliations (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	12,168	-	-	12,168	-	12,168
Operating profit/(loss)	289	(6,847)	(63)	(6,621)	-	(6,621)
Interest income	-	1	-	1	-	1
Finance costs (non-cash)	-	(11,236)	-	(11,236)	-	(11,236)
Reconciled items:						
Equity-settled share option expense	-	-	-	-	(3,322)	(3,322)
Unallocated expenses	-	-	-	-	(917)	(917)
Loss before tax	289	(18,082)	(63)	(17,856)	(4,239)	(22,095)
Additions for non-current assets	-	-	-	-	797	797
Depreciation	-	(2,890)	(62)	(2,952)	(35)	(2,987)

## 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	Reconciliations (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment revenue:						
Revenue from external customers	3,949	-	-	3,949	-	3,949
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	84	(29,660)	(373)	(29,949)	(1,452)	(31,401)
Additions for non-current assets	-	-	-	-	-	-
Depreciation	-	(3,613)	(62)	(3,675)	-	(3,675)

### 3. SEGMENT REPORTING *(continued)*

#### As at 30 June 2013

	Trading business (Unaudited) HK\$'000	Forestry business (Unaudited) HK\$'000	Plantation business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Reconciliations (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment assets	2,491	276,633	-	279,124	-	279,124
Reconciled items:						
Cash and cash equivalents	-	-	-	-	747	747
Unallocated assets	-	-	-	-	31,171	31,171
<b>Total assets</b>	<b>2,491</b>	<b>276,633</b>	<b>-</b>	<b>279,124</b>	<b>31,918</b>	<b>311,042</b>
Segment liabilities	611	818	-	1,429	-	1,429
Convertible bonds	-	200,941	-	200,941	-	200,941
Reconciled items:						
Unallocated liabilities	-	-	-	-	1,422	1,422
<b>Total liabilities</b>	<b>611</b>	<b>201,759</b>	<b>-</b>	<b>202,370</b>	<b>1,422</b>	<b>203,792</b>

#### As at 31 December 2012

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

### 3. SEGMENT REPORTING *(continued)*

#### Geographical information

##### (a) Revenue from external customers

	Six months ended 30 June 2013 (Unaudited) HK\$'000	Six months ended 30 June 2012 (Unaudited) HK\$'000
Hong Kong (place of domicile)	12,168	3,949

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

##### (b) Non-current assets

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Indonesia	278,926	282,731
Hong Kong (place of domicile)	948	186
	279,874	282,917

The non-current asset information 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:

	Six months ended 30 June 2013 (Unaudited) HK\$'000	Six months ended 30 June 2012 (Unaudited) HK\$'000
Customer A – revenue from trading business – Hong Kong	2,782	3,949
Customer B – revenue from trading business – Hong Kong	2,869	–
Customer C – revenue from trading business – Hong Kong	2,712	–
	8,363	3,949

#### 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Depreciation	1,464	1,832	2,987	3,675
Staff costs (including directors' emoluments)	1,486	2,470	3,386	6,276

#### 5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest on convertible bonds	5,730	7,840	11,236	16,013

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 (2012: Nil). Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2012: Nil).

There was no income tax relating to the other comprehensive income during the period (2012: 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 2013 (2012: Nil).

## 8. 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 period.

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

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Loss for the period Loss attributable to owners of the Company	(9,049)	(15,125)	(21,815)	(30,366)
	Number of shares (thousands) (Restated)		(Restated)	
Shares Weighted average number of ordinary shares in issue during the period	320,850	244,280	317,576	239,855

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share has been retrospectively adjusted for the share consolidation of 40 into 1 effective on 26 March 2013 and the rights issue of 2 rights shares for every 5 shares made after the reporting period but before the interim financial statements are authorised for issue.

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 an anti-dilutive effect on the basic loss per share.

## 9. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2013 and 2012, the Group did not acquire any subsidiaries and associates. On 18 July 2013, the Group acquired 100% of the share capital of Quasicom Systems Limited (“Quasicom”), a company which is principally engaged in the business of distributorship of renowned information technology products with value-added technical support services, for a consideration of HK\$8 million satisfied by the issuance of 20 million new shares of the Company. The fair value of the 20 million new shares issued as at the acquisition date, based on the closing price of HK\$0.23 per share of the Company as quoted on the Stock Exchange, is approximately HK\$4,600,000. The acquired business did not contribute any revenue and net profit to the Group for the six months ended 30 June 2013. As at the date the interim financial statements are authorized for issue, the financials of Quasicom up to 30 June 2013 and the acquisition date are not yet finalized. Accordingly, the consolidated revenue and consolidated profit or loss for the six months ended 30 June 2013, as if the acquisition had occurred on 1 January 2013, are not available. In addition, the provisional fair value of identified assets and liabilities acquired, as well as the provisional goodwill, are not available.

During the six months ended 30 June 2013, two subsidiaries of the Company, Merdeka Logging Limited and Merdeka Kayu Limited, were struck off on 1 May 2013 (2012: Nil). These two subsidiaries were dormant before the strike off and no profit or loss and cash flows recorded on the disposal.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent approximately HK\$797,000 on leasehold improvement and computer and office equipment for its new office premise in Hong Kong (2012: Nil).

During the six months ended 30 June 2013, the Group disposed of certain plant and machinery, computer and office equipment, and motor vehicles in Indonesia with total costs and net book values of approximately HK\$2,422,000 and HK\$853,000 respectively (2012: Nil). The Group also released certain plant and machinery in Indonesia with total costs and net book values of approximately HK\$4,819,000 and HK\$2,292,000 respectively to a proposed local purchaser. According to the relevant sale and purchase agreement, the proposed purchaser can pay up to Rp3,040 million, equivalent to approximately HK\$2,395,000, and the title will be transferred upon full payment. As at 30 June 2013, no payment has been made.

## 11. 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:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within 30 days	458	443
31 to 60 days	477	1,026
Over 60 days	843	896
	<b>1,778</b>	2,365

In respect of the newly commenced trading of dairy products, the Group generally provides no credit period to its customers. In respect of the trading of agricultural-related products, the Group's trading terms with its customers are mainly on credit. The credit period is generally two months.

## 12. 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 2013.

## 13. CASH AND CASH EQUIVALENTS

During the six months ended 30 June 2013, the Group's certain bank balances in Indonesia were withdrawn and kept by a director of a subsidiary in Indonesia as a custodian (2012: Nil). As at 30 June 2013, the cash in such custody amounted to approximately Rp1,080 million, equivalent to approximately HK\$851,000 (31 December 2012: Nil).

## 14. CONVERTIBLE BONDS

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
At beginning of the period/year	189,705	304,111
Interest charged	11,236	26,872
Conversion of convertible bonds	–	(141,278)
At end of the period/year	<b>200,941</b>	189,705

## 15. SHARE CAPITAL

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<i>Authorised:</i> 500,000,000 ordinary shares of HK\$0.40 each (31 December 2012: 20,000,000,000 ordinary shares of HK\$0.01 each)	<b>200,000</b>	200,000
<i>Issued and fully paid:</i> 229,178,725 ordinary shares of HK\$0.40 each (31 December 2012: 8,578,649,000 ordinary shares of HK\$0.01 each)	<b>91,671</b>	85,786

By an ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting on 25 March 2013, every forty shares of HK\$0.01 were consolidated into one consolidated share of HK\$0.40 each. The share consolidation became effective on 26 March 2013.

## 16. 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 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<u>Properties</u>		
Within one year	<b>854</b>	–
In the second to fifth years, inclusive	<b>712</b>	–
	<b>1,566</b>	–

### (b) Capital commitments

The Group did not have any material capital commitments as at 30 June 2013 (31 December 2012: Nil).

## 17. CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

## 18. RELATED PARTY TRANSACTIONS

Total compensation paid to key management personnel during the period amounted to approximately HK\$2,623,000 (30 June 2012: HK\$3,014,000).

## 19. COMPARATIVE FIGURES

As detailed in note 8, the comparative figures of loss per share have been restated to conform with the current period's presentation.

## 20. EVENTS AFTER THE REPORTING PERIOD

On 17 July 2013, the Company allotted and issued a total number of 91,671,490 new ordinary shares by way of rights issue at a subscription price of HK\$0.40 per right share on the basis of 2 rights shares for every 5 shares then held. The rights issue raised net proceeds of approximately HK\$35 million.

On 18 July 2013, End User Technology Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of 100% interest of Quasicom Systems Limited at the consideration of HK\$8 million, satisfied by the issuance of 20 million new shares of the Company.

On 9 August 2013, the Company has agreed with the bondholders to exercise its redemption right to early redeem the Convertible Bonds and has served a redemption notice pursuant to the Supplemental Deed for redeeming an outstanding principal amount of HK\$27,000,000 of the Convertible Bonds, which shall be settled in cash of HK\$25,647,000, representing a discount of approximately 5% of the principal sum of the early redeemed Convertible Bonds, by the Company from internal resources. Following and as a result of the redemption in the aforesaid amount of HK\$27,000,000 Convertible Bonds, the outstanding amount due by the Company to the Convertible Bondholders under the Convertible Bonds is HK\$197,880,000.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, 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 30 June 2013

(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	212,500	37,500,000 (note 1)	37,712,500 (note 2)	16.46
Lau Chi Yan, Pierre	2,125,000	–	2,125,000	0.93

Notes:

1. These shares are interest of a controlled corporation, Ivana Investments Limited ("Ivana"), which is wholly owned by Mr. Cheung Wai Yin, Wilson.
2. Pursuant to the underwriting agreement dated 11 June 2013, Mr. Cheung Wai Yin, Wilson had irrevocably undertaken that he and his associates would accept all 15,085,000 rights shares allotted to him and his associates.

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES** (continued)**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 2013** (continued)**(ii) Long positions in the underlying shares of the share options granted under the share option scheme of the Company:**

Name of directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK\$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Ma Hang Kon, Louis	30/5/2012	30/5/2012 – 29/5/2022	0.68	1,500,000	1,500,000	0.65
Wong Chi Man	17/1/2013	17/1/2013 – 16/1/2023	0.40	75,000	75,000	0.03
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013 – 16/1/2023	0.40	87,500	87,500	0.04

*Note:* As a result of the share consolidation of 40 into 1 effective on 26 March 2013, pursuant to the terms and conditions of the share option scheme, the number and the exercise price of share options have been adjusted accordingly. Adjustments caused by the rights issue completed on 17 July 2013 have not been reflected here.

**(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	189,880,000	47,470,000	20.71

*Note:* As a result of the share consolidation of 40 into 1 effective on 26 March 2013, pursuant to the relevant terms and conditions, the number and the conversion price of the convertible bonds have been adjusted accordingly. These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014) were issued by the Company 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 adjusted conversion price of HK\$4.00 per share of the Company (subject to adjustment according to the terms of the convertible bonds). The interest is held by a controlled corporation, Ivana, which is wholly owned by Mr. Cheung.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### 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 2013 (continued)

Save as disclosed above, as at 30 June 2013, 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" above and "Share Option Scheme" below, at no time during the period for the six months ended 30 June 2013 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 2013, 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	Name of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
Ivana	Directly beneficially owned	1	37,500,000	16.36
CLC Finance Limited ("CLC")	Security interest	1 and 3	37,500,000	16.36
Cheong Lee Securities Limited ("CLSL")	Directly beneficially owned	2 and 3	76,586,490	33.42
CL Group (Holdings) Limited ("CLGH")	Through a controlled corporation	3	114,086,490	49.78
Au Suet Ming, Clarea	Through a controlled corporation	3	114,086,490	49.78
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned	4	33,294,102	14.53
CCT Capital International Holdings Limited	Through a controlled corporation	4	33,294,102	14.53
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	4	33,294,102	14.53
Mak Shiu Tong, Clement	Through a controlled corporation	4	33,294,102	14.53

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

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

*Notes:*

- Ivana has financial arrangement with CLC in which CLC has security interest over these shares.
- Pursuant to the underwriting agreement dated 11 June 2013, CLSL, being the underwriter, would underwrite 76,586,490 rights shares.
- CLC and CLSL are wholly-owned by CLGH, which is thus interested in the respective shares. Ms. Au Suet Ming, Clarea is deemed to be interested in such shares of the Company under the SFO as she is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CLGH.
- Manistar is wholly-owned by CCT Capital International Holdings Limited which in turn is a 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.

### (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	47,470,000	20.71

*Note:* As a result of the share consolidation of 40 into 1 effective on 26 March 2013, pursuant to the relevant terms and conditions, the number and the conversion price of the convertible bonds have been adjusted accordingly. These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014) were issued by the Company 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 adjusted conversion price of HK\$4.00 per share of the Company (subject to adjustment according to the terms of the convertible bonds). Ivana has financial arrangement with CLC in which CLC has security interest over the convertible bonds amounted to HK\$150,000,000, representing 37,500,000 underlying shares as at 30 June 2013. CLC is wholly-owned by CLGH, which is thus interested in such convertible bonds. Ms. Au Suet Ming, Clarea is deemed to be interested in such convertible bonds under the SFO as she is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CLGH.

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 2013, 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 existing share option scheme of the Company (the “Share Option Scheme”) was adopted by the shareholders of the Company and was effective on 3 May 2012. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 June 2013, there were 2,150,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 2,150,000, which represents approximately 0.94% of the total issued share capital of the Company as at 30 June 2013. Immediately after the rights issue on 17 July 2013, the adjusted total number of share options outstanding and the underlying shares available for issue are 1,697,948, which represents approximately 0.50% of the total issued share capital of the Company as at the date of this report.

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

Name or category of the participants	Number of share options					Outstanding as at 30 June 2013	Date of grant of the share options	Exercise period of the share options	Price of the shares before the date of grant (Note 2) HK\$ per share	Original exercise price of the share options (Note 1) HK\$ per share	Adjusted exercise price of the share options after share consolidation (Note 1) HK\$ per share
	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Adjusted during the period upon effective of share consolidation (Note 1)						
<b>Executive directors</b>											
Cheung Wai Yin, Wilson	-	8,500,000	(8,500,000)	-	-	-	17/1/2013	17/1/2013– 16/1/2023	HK\$0.01	HK\$0.01	not applicable
Lau Chi Yan, Pierre	-	85,000,000	(85,000,000)	-	-	-	17/1/2013	17/1/2013– 16/1/2023	HK\$0.01	HK\$0.01	not applicable
Ma Hang Kon, Louis	60,000,000	-	-	-	(58,500,000)	1,500,000	30/5/2012	30/5/2012– 29/5/2022	HK\$0.017	HK\$0.017	HK\$0.68
<b>Non-executive director</b>											
Wong Chi Man	-	3,000,000	-	-	(2,925,000)	75,000	17/1/2013	17/1/2013– 16/1/2023	HK\$0.01	HK\$0.01	HK\$0.40
<b>Independent non-executive director</b>											
Yeung Mo Sheung, Ann	-	3,500,000	-	-	(3,412,500)	87,500	17/1/2013	17/1/2013– 16/1/2023	HK\$0.01	HK\$0.01	HK\$0.40
<b>Employees and other eligible participants</b>											
Employees	13,000,000	-	-	(4,000,000)	(8,775,000)	225,000	30/5/2012	30/5/2012– 29/5/2022	HK\$0.017	HK\$0.017	HK\$0.68
Other eligible participants	10,500,000	-	-	-	(10,237,500)	262,500	30/5/2012	30/5/2012– 29/5/2022	HK\$0.017	HK\$0.017	HK\$0.68
	-	495,000,000	(495,000,000)	-	-	-	17/1/2013	17/1/2013– 16/1/2023	HK\$0.01	HK\$0.01	not applicable
	83,500,000	595,000,000	(598,500,000)	(4,000,000)	(83,850,000)	2,150,000					

**SHARE OPTION SCHEME** *(continued)**Notes:*

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital. As a result of the share consolidation of 40 into 1 effective on 26 March 2013, pursuant to the terms and conditions of the Share Option Scheme, the number and the exercise price of share options have been adjusted accordingly. Adjustments caused by the rights issue completed on 17 July 2013 have not been reflected here.
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.

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 2013, a total of 595,000,000 share options<sup>#</sup> were granted by the Company on 17 January 2013 under the Share Option Scheme, among which 100,000,000 share options<sup>#</sup> were granted to four directors of the Company. The directors of the Company have estimated the following theoretical valuations of the said 595,000,000 share options<sup>#</sup> granted under the Share Option Scheme during the period, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

Name of grantees	Number of share options granted during the period <sup>#</sup>	Theoretical value of the share options HK\$
Cheung Wai Yin, Wilson	8,500,000	47,457
Lau Chi Yan, Pierre	85,000,000	474,571
Wong Chi Man	3,000,000	16,750
Yeung Mo Sheung, Ann	3,500,000	19,541
Others	495,000,000	2,763,681
	595,000,000	3,322,000

The fair value of the share options granted during the period for the six months ended 30 June 2013 was approximately HK\$3,322,000 (2012: HK\$974,000) of which the Group recognised a share option expense of approximately HK\$3,322,000 (2012: HK\$974,000) during the period.

<sup>#</sup> without adjustments for the share consolidation effective on 26 March 2013 and the rights issue completed on 17 July 2013

## SHARE OPTION SCHEME *(continued)*

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 (%)	74.19
Historical volatility (%)	74.19
Risk-free interest rate (%)	0.39
Expected life of share options (year)	5
Closing share price at grant date (HK\$)	0.01

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 2013.

## 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 Corporate Governance Code (the “CG Code”) set out in Appendix 15 to the GEM Listing Rules throughout the period for the six months ended 30 June 2013, except for the following deviations from the code provisions of the CG Code:

#### Code Provision A.2.1

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

There is no separation of the roles of chairman and chief executive officer 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. Mr. Cheung has substantial experience that is essential to fulfilling such role, and at the same time, he has 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 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 structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board appointed Mr. Lau Chi Yan, Pierre as managing director of the Company on 26 July 2013 to take care of the day-to-day management of the Group. Apart from assuming the role as the chairman of the Company, Mr. Cheung Wai Yin, Wilson remains as the chief executive officer of the Company to formulate business as well as corporate development strategies, to direct and to supervise the Group’s overall affairs.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

### Corporate Governance Practices *(continued)*

#### 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 out of the three INED(s) of the Company during the period under review were not appointed for a specific term but they were 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. However, these two INEDs have resigned and retired without re-election before the period end. The two new INEDs for filling up such vacancies were appointed on 26 July 2013 with specific term of one year and all INEDs are subject to retirement by rotation and re-election at the AGM in accordance with the articles of association of the Company, thus, the Code Provision A.4.1 is fully complied by the Company from then on.

#### Code Provision A.4.2

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

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

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

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

#### Code Provision A.6.4

The Code Provision A.6.4 provides that the board should establish written guidelines no less exacting than the Model Code for Securities Transactions by Directors for relevant employees in respect of their dealings in the issuer's securities.

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 2013.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2012 Annual Report of the Company issued in March 2013.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

### Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") with specific written terms of reference in line with the code provisions under the CG Code. The Nomination Committee consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, 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 CG Code. The Remuneration Committee consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, 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 all the INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, 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 2013, 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.

## DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

The updated information on directors of the Company discloseable under Rule 17.50A(1) of the GEM Listing Rules are as follows:

- (a) Mr. Cheung Wai Yin, Wilson: resigned as the chief executive officer of Dejin Resources Group Company Limited, a company listed in Hong Kong, on 6 May 2013
- (b) Mr. Lau Chi Yan, Pierre: appointed as the managing director of the Company on 26 July 2013
- (c) Mr. Lau Ho Wai, Lucas: resigned as an independent non-executive director, member of the nomination committee, remuneration committee and audit committee of the Company on 19 June 2013
- (d) Mr. Lam Kin Kau, Mark: retired by rotation as an independent non-executive director and ceased to be a member of the nomination committee, remuneration committee and audit committee of the Company on 28 June 2013
- (e) Mr. Ng Kay Kwok: appointed as an independent non-executive director, member of the nomination committee, remuneration committee and audit committee of the Company on 26 July 2013
- (f) Mr. Yip Kat Kong, Kenneth: appointed as an independent non-executive director, member of the nomination committee, remuneration committee and audit committee of the Company on 26 July 2013

## BOARD OF DIRECTORS

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

### *Executive Directors:*

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

Mr. Lau Chi Yan, Pierre (*Managing Director*)

Mr. Ma Hang Kon, Louis

### *Non-executive Director:*

Mr. Wong Chi Man

### *Independent Non-executive Directors:*

Ms. Yeung Mo Sheung, Ann

Mr. Ng Kay Kwok

Mr. Yip Kat Kong, Kenneth

By Order of the Board of  
**MERDEKA RESOURCES HOLDINGS LIMITED**  
**Cheung Wai Yin, Wilson**  
*Chairman and Chief Executive Officer*

Hong Kong, 14 August 2013



[www.merdeka.com.hk](http://www.merdeka.com.hk)

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