

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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

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This announcement, for which the directors of Merdeka Resources Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 September 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 environment towards the Group’s business. There were some new variables in the business environment introduced. The Group had kept its operation scale related to the forestry project downsized to preserve its financial resources before the resumption of the forestry project while liaising and negotiating with the government departments in Papua, Indonesia.

During the third quarter of 2013, the management continued and will continue to work with the supply side and potential buyers on the trading project of tailings in the Papua Province of Indonesia. The contract stipulates that all deliveries be taken by August 2014.

The growing trading business still provides a stable source of revenue to the Group; however, the Group strives to increase the variety of products for trading business during the period under review. After the completion of the acquisition of 100% interest of Quasicom Systems Limited by the Company on 18 July 2013, it contributes to the Group by deriving incomes from distributorship of information technology products with technical support services.

FINANCIAL REVIEW

Unlike 2012, revenue of the Group for the nine months ended 30 September 2013 was not only generated from the trading business in Hong Kong, but also from distributing information technology products and the provision of relevant technical support services. The revenue increased to approximately HK\$24,987,000 from approximately HK\$5,863,000 for the corresponding period last year. The increase was mainly due to revenue of approximately HK\$19,098,000 contributed by the trading of dairy products and approximately HK\$2,179,000 contributed by the aforesaid newly acquired information technology business. In addition, as these businesses had a relatively higher gross profit margin, the Group’s overall gross profit margin improved from about 2.1% in 2012 to about 5.7% in 2013.

The Group recorded a loss of approximately HK\$29,529,000 for the third quarter of 2013. The loss was reduced by approximately HK\$13,295,000 compared to that of 2012, mainly due to increase in gross profit by approximately HK\$1,288,000 and increase in other income and other net gains by approximately HK\$1,820,000 as well as decreases in operating and administrative expenses and finance cost by approximately HK\$7,973,000 and HK\$4,562,000 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 nine months ended 30 September 2013 when certain convertible bonds had been converted into shares of the Company during 2012 and the partial early redemption of the existing outstanding convertible bonds for the amount of HK\$27,000,000 during the period. A total of 595,000,000 share options[#] were granted in the first half of 2013 whereas 83,500,000 share options[#] 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.

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.

CAPITAL REDUCTION AND SUB-DIVISION

During the extraordinary general meeting of the Company held on 16 August 2013 (the "EGM"), the special resolution in relation to the capital reduction and the subdivision proposed at the EGM was duly passed by the shareholders of the Company and thus the events as scheduled were carried out accordingly. The colour of the new share certificates for the new shares relating to the capital reduction and sub-division will be purple.

[#] *without adjustments for the share consolidation effective on 26 March 2013 and the rights issue completed on 17 July 2013.*

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As all the special resolutions in relation to the amendments to the articles of association of the Company was not passed by the shareholders of the Company during the EGM, the amendment of articles of association of the Company was thus not be carried out accordingly. The Company will review again the Articles of Association and will seek to put forth other resolution(s) to be voted by its shareholders in other general meeting to adopt an amended and restated Articles of Association that is in line with current amendments of the GEM Listing Rules and will make announcement(s) and circular(s) when and where appropriate in due course.

EARLY REDEMPTION OF CONVERTIBLE BONDS

On 9 August 2013, the Company agreed with the holders of the convertible bonds to exercise its redemption right to early redeem partially the existing outstanding convertible bonds of the Company and served a redemption notice pursuant to the supplemental deed dated 30 May 2011 for redeeming an outstanding principal amount of HK\$27,000,000 of the convertible bonds, which was settled in cash of HK\$25,647,000, representing a discount of approximately 5% of the principal sum of the early redeemed convertible bonds. 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 holders of the convertible bonds under the convertible bonds is HK\$197,880,000.

OUTLOOK

The acquisition of Quasicom Systems Limited provided the Group with an opportunity to diversify into information technology business and to generate income from such business. In order to enjoy complimentary benefits, the Group strives to complete the proposed acquisition of Ever Hero Group. On 9 and 28 October 2013, the Group has entered into two supplemental agreements with the vendor of the sales shares of Ever Hero Group Limited to revise certain terms of the acquisition agreement dated 6 September 2012, pursuant to which and among other terms and conditions, the sale shares of issued share capital of Ever Hero Group Limited was increased from 70% to 100%, and thus, after the completion of this transaction, Ever Hero Group Limited will become an indirect wholly owned subsidiary of the Company. The total consideration payable was reduced from HK\$80 million to HK\$71 million which shall be settled by way of a promissory note for the amount of HK\$51 million to be issued by the

Company on completion and the remaining consideration of HK\$20 million was satisfied in cash as deposit to the vendor upon entering into the acquisition agreement dated 6 September 2012. The management is confident that the successful completion of this acquisition will have a positive impact on the Group's financial performance in the future.

As disclosed, a circular containing, among other things, (i) further details of the acquisition of Ever Hero Group Limited (as amended by the supplemental agreements) and the transactions contemplated thereunder; (ii) other information as required under the GEM Listing Rules; and (iii) the notice convening an extraordinary general meeting to approve the transaction, is expected to be despatched to the shareholders of the Company on or before 31 December 2013.

In order to increase the variety of products for trading business, the Group is actively expanding into the trading of dispensary-related products.

As the forestry and plantation business did not progress as scheduled, the Company will continue to liaise with the Indonesian governmental departments and will continue to monitor the situation. Having said so, the Company does not exclude the possibility to make further impairment losses in relation to the forest concession if the situation does not showing any improvement at or before the end of this financial year. The Company will make relevant announcement(s) when and where appropriate in due course.

In light of the expansions of the trading business and the information technology business as well as to strengthen the general working capital base of itself, the Company is considering carrying out further fund raising activities when and where appropriate and will make relevant announcement accordingly.

Finally, we 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 26 July 2013. We also would like to express our sincere thanks to the valuable contributions from the departing executive director, Mr. Ma Hang Kon, Louis, during his tenure of office.

UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and the nine months ended 30 September 2013, together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2013

	Note	Three months ended 30 September		Nine months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	2	12,819	1,914	24,987	5,863
Cost of sales		(11,768)	(1,875)	(23,576)	(5,740)
Gross profit		1,051	39	1,411	123
Other income and other net gains		2,251	334	2,289	469
Operating and administrative expenses		(5,115)	(6,390)	(13,050)	(21,023)
Equity-settled share option expenses		–	–	(3,322)	(974)
Finance costs	3	(5,621)	(5,406)	(16,857)	(21,419)
LOSS BEFORE TAX		(7,434)	(11,423)	(29,529)	(42,824)
Income tax	4	–	–	–	–
LOSS FOR THE PERIOD		(7,434)	(11,423)	(29,529)	(42,824)
Loss attributable to:					
Owners of the Company		(7,317)	(10,924)	(29,132)	(41,290)
Non-controlling interests		(117)	(499)	(397)	(1,534)
		(7,434)	(11,423)	(29,529)	(42,824)
		HK\$	HK\$	HK\$	HK\$
			(Restated)		(Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic and diluted	6	(0.022)	(0.037)	(0.090)	(0.160)

Details of the dividend payable and proposed for the periods are disclosed in note 5.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2013

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	(7,434)	(11,423)	(29,529)	(42,824)
Other comprehensive loss, after tax:				
Exchange difference on translating of financial statement of overseas subsidiaries	—	—	—	(6)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(7,434)</u>	<u>(11,423)</u>	<u>(29,529)</u>	<u>(42,830)</u>
Total comprehensive loss attributable to:				
Owners of the Company	(7,317)	(10,924)	(29,132)	(41,296)
Non-controlling interests	<u>(117)</u>	<u>(499)</u>	<u>(397)</u>	<u>(1,534)</u>
	<u>(7,434)</u>	<u>(11,423)</u>	<u>(29,529)</u>	<u>(42,830)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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 convertible bonds (Unaudited) HK\$'000	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
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	-	-	-	-	-	-	(41,290)	(41,290)	(1,534)	(42,824)
Other comprehensive loss	-	-	-	-	-	(6)	-	(6)	-	(6)
Total comprehensive loss	-	-	-	-	-	(6)	(41,290)	(41,296)	(1,534)	(42,830)
Issue of new shares upon conversion of convertible bonds	18,000	146,276	-	(22,999)	-	-	-	141,277	-	141,277
Forfeiture of share options	-	-	-	-	(14,491)	-	14,491	-	-	-
Equity-settled share option arrangements	-	-	-	-	974	-	-	974	-	974
Equity-settled share-based transactions	4,000	2,000	-	-	-	-	-	6,000	-	6,000
At 30 September 2012	<u>85,786</u>	<u>703,864</u>	<u>66,710</u>	<u>28,733</u>	<u>974</u>	<u>22</u>	<u>(198,540)</u>	<u>687,549</u>	<u>33,838</u>	<u>721,387</u>
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	-	-	-	-	-	-	(29,132)	(29,132)	(397)	(29,529)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	(29,132)	(29,132)	(397)	(29,529)
Equity-settled share option arrangements	-	-	-	-	3,322	-	-	3,322	-	3,322
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	-	-	-
Issue of rights shares	36,669	-	-	-	-	-	-	36,669	-	36,669
Expenses incurred in connection with the issue of rights shares	-	(1,876)	-	-	-	-	-	(1,876)	-	(1,876)
Issue of consideration shares	8,000	(3,400)	-	-	-	-	-	4,600	-	4,600
Partial redemption of convertible bonds	-	-	-	(3,450)	-	-	-	(3,450)	-	(3,450)
At 30 September 2013	<u>136,340</u>	<u>701,874</u>	<u>66,710</u>	<u>25,283</u>	<u>963</u>	<u>22</u>	<u>(799,372)</u>	<u>131,820</u>	<u>3,939</u>	<u>135,759</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated quarterly results 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 quarterly results are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated quarterly 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.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting period beginning on 1 January 2013. The adoption of such standards, amendments and interpretations does not have material financial effect on this quarterly results.

The unaudited condensed consolidated quarterly results of the Group for the nine months ended 30 September 2013 have been reviewed by the Company’s audit committee (the “Audit Committee”).

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 during the nine-month period under review.

An analysis of revenue is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Income from trading of vegetables	928	1,914	3,710	5,863
Income from trading of dairy products	9,712	–	19,098	–
Income from distributorship of information technology products with technical support services	2,179	–	2,179	–
	<u>12,819</u>	<u>1,914</u>	<u>24,987</u>	<u>5,863</u>

3. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense on convertible bonds (Note)	5,561	5,406	16,797	21,419
Interest expense on bank loan	60	–	60	–
	<u>5,621</u>	<u>5,406</u>	<u>16,857</u>	<u>21,419</u>

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

4. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period under review (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 under review (2012: Nil).

5. DIVIDEND

No quarterly dividend has been paid or declared by the Company or any of its subsidiaries during the nine months ended 30 September 2013 (2012: Nil).

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and nine months ended 30 September 2013 and the weighted average number of ordinary shares in issue during the period.

The calculation of basic loss per share is based on:

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Loss for the period</u>				
Loss attributable to owners of the Company	<u>(7,317)</u>	<u>(10,924)</u>	<u>(29,132)</u>	<u>(41,290)</u>
		Number of shares (thousands)		
		(Restated)		(Restated)
<u>Shares</u>				
Weighted average number of ordinary shares in issue during the period	<u>337,372</u>	<u>293,348</u>	<u>324,247</u>	<u>257,816</u>

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 in March 2013 and the rights issue of 2 rights shares for every 5 shares in July 2013.

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.

7. COMPARATIVE FIGURES

As detailed in note 6, the comparative figures of loss per share have been restated to conform with the current period's presentation.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 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 September 2013

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

Name of directors	Number of the shares interested and nature of interest		Total	Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate		
Cheung Wai Yin, Wilson	297,500	52,500,000 (Note 1)	52,797,500	15.49
Lau Chi Yan, Pierre (Note 2)	2,125,000	–	2,125,000	0.62

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. Mr. Lau Chi Yan, Pierre is the Managing Director of the Company with effect from 26 July 2013.

- (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 (<i>Note</i>)	30/5/2012	30/5/2012 – 29/5/2022	0.86	1,184,615	1,184,615	0.35
Wong Chi Man	17/1/2013	17/1/2013 – 16/1/2023	0.51	59,230	59,230	0.02
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013 – 16/1/2023	0.51	69,103	69,103	0.02

Note: The director resigned on 16 October 2013.

- (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	150,000,000	37,500,000	11.00

Note: 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.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 September 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	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
Ivana	Directly beneficially owned	1	52,500,000	15.40
CLC Finance Limited (“CLC”)	Security interest	1 and 2	37,500,000	11.00
CL Group (Holdings) Limited (“CLGH”)	Through a controlled corporation	2 and 3	37,500,000	11.00
CAAL Capital Company Limited (“CAAL”)	Directly beneficially owned	3	26,016,490	7.63
Au Suet Ming, Clarea	Through a controlled corporation	3	63,516,490	18.63
Manistar Enterprises Limited (“Manistar”)	Directly beneficially owned	4	33,294,102	9.77
CCT Capital International Holdings Limited	Through a controlled corporation	4	33,294,102	9.77
CCT Fortis Holdings Limited (“CCT Fortis”)	Through a controlled corporation	4	33,294,102	9.77
Mak Shiu Tong, Clement	Through a controlled corporation	4	33,294,102	9.77

Notes:

- Ivana has financial arrangement with CLC in which CLC has security interest over these shares.*
- CLC is 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 meeting of CLGH and CAAL.*
- 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	150,000,000	37,500,000	11.00

Note: 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 these convertible bonds. 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 of 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 September 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 September 2013, there were 1,697,948 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 1,697,948, which represents approximately 0.5% and 0.5% of the total issued share capital of the Company as at 30 September 2013 and the date of this announcement respectively.

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 September 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) per share	Original price of the share options (Note 1) per share	Adjusted exercise price of the share options after share consolidation and rights issue (Note 1) 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 and rights issue (Note 1)						
Executive directors											
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 (Note 3)	60,000,000	-	-	-	(58,815,385)	1,184,615	30/5/2012	30/5/2012–29/5/2022	HK\$0.017	HK\$0.017	HK\$0.86
Non-executive director											
Wong Chi Man	-	3,000,000	-	-	(2,940,770)	59,230	17/1/2013	17/1/2013–16/1/2023	HK\$0.01	HK\$0.01	HK\$0.51
Independent non-executive director											
Yeung Mo Sheung, Ann	-	3,500,000	-	-	(3,430,897)	69,103	17/1/2013	17/1/2013–16/1/2023	HK\$0.01	HK\$0.01	HK\$0.51
Employees and other eligible participants											
Employees	13,000,000	-	-	(4,000,000)	(8,822,308)	177,692	30/5/2012	30/5/2012–29/5/2022	HK\$0.017	HK\$0.017	HK\$0.86
Other eligible participants	10,500,000	-	-	-	(10,292,692)	207,308	30/5/2012	30/5/2012–29/5/2022	HK\$0.017	HK\$0.017	HK\$0.86
	-	495,000,000	(495,000,000)	-	-	-	17/1/2013	17/1/2013–16/1/2023	HK\$0.01	HK\$0.01	not applicable
	<u>83,500,000</u>	<u>595,000,000</u>	<u>(588,500,000)</u>	<u>(4,000,000)</u>	<u>(84,302,052)</u>	<u>1,697,948</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. As a result of the share consolidation of 40 into 1 effective on 26 March 2013 and the rights issue completed on 17 July 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.
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. The director resigned on 16 October 2013.

Save as disclosed above, at the date of approval of these unaudited condensed consolidated third quarterly financial statements, no other share options were exercised subsequent to the end of the period under review.

During the period for the nine months ended 30 September 2013, a total of 595,000,000 share options[#] were granted by the Company on 17 January 2013 under the Share Option Scheme, among which 100,000,000 share options[#] were granted to four directors of the Company. The directors of the Company have estimated the following theoretical valuations of the said 595,000,000 share options[#] granted under the Share Option Scheme during the period, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

Name of grantees	Number of share options granted during the period[#]	Theoretical value of the share options <i>HK\$</i>
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	<u>495,000,000</u>	<u>2,763,681</u>
	<u>595,000,000</u>	<u>3,322,000</u>

[#] without adjustments for the share consolidation effective on 26 March 2013 and the rights issue completed on 17 July 2013

The fair value of the share options granted during the period for the nine months ended 30 September 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.

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 (<i>year</i>)	5
Closing share price at grant date (<i>HK\$</i>)	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 nine months ended 30 September 2013.

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.

During the period for the nine months ended 30 September 2013, the Audit Committee consists of three members comprising three independent non-executive directors, 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 third quarterly results of the Group for the nine months ended 30 September 2013.

BOARD OF DIRECTORS

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 (*Managing Director*)

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, 11 November 2013

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>.