



MERDEKA

MERDEKA MOBILE GROUP LIMITED

(萬德移動集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2014, Merdeka Mobile Group Limited (the “Company”) and its subsidiaries (the “Group”) continued to be engaging in forestry and plantation business, trading business and information technology business. There were no significant changes in the macro environment for the Group’s businesses. Our production and operation in forestry and plantation was suspended, the trading business grew healthily and the information technology business remained challenging.

OPERATION REVIEW

During the period under review, 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 which was suspended due to escalation of severity in relation to the communal conflicts occurring in Timika, where the Group’s office for carrying out the project was located at. The process of obtaining the land use right permit is therefore hindered. As the staff members there have to evacuate, the Group has engaged a local resident at Timika as consultant on the forestry project and help overseeing the development of the political unrest at Timika and give advice on the obtaining of the land use right permit.

Regarding the trading project of tailings in the Papua Province of Indonesia, during the period under review, the management continued working with the supply side and potential buyers. The contract stipulates that all deliveries be taken by August 2014.

The trading business still provides a stable source of revenue to the Group and is growing healthily. As the Group strives to increase the variety of products for trading business during the period under review, it was expanded into beauty products. An outlet for selling beauty and skin care products was opened up in Kwun Tung during the period under review.

Quasicom Systems Limited contributes to the Group by deriving incomes from distributorship of information technology products with technical support services during the period. In order to enjoy complimentary benefits, the Group on 4 April 2014 completed the acquisition of Ever Hero Group and leveraging on its reputation and experiences in online games as a new business opportunity.

The Group is looking forward to the exploding mobile game market, value of which is growing tremendously with relatively low barriers to entry. As a result, on 1 April 2014, the Company through its indirect wholly owned subsidiary entered into a shareholders agreement, pursuant to which Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司) (“Mian Yang Heng Da”), a company incorporated in the People’s Republic of China, would increase its registered capital to RMB5,000,000 from RMB500,000 by increasing RMB4,500,000, in which the Company agreed to subscribe for registered capital of Mian Yang Heng Da in the amount of RMB3,000,000 and agreed to pay RMB1,000,000 to Mian Yang Heng Da credited as the subscription by its existing shareholder. As Mian Yang Heng Da is developing its mobile games and the cloud-based city Wi-Fi application software, such possible investment in it is in line with the Group’s business development plans. All the necessary procedures and registration in relation to this acquisition of the 60% of the enlarged share capital of Mian Yang Heng Da have been completed on 22 July 2014.

As the Group’s activities now include information technology business and in order to better reflect the future expansion and diversifications of the Company’s business into the information technology based mobile games and application software business and provide the Company with a fresh corporate identity and image, the Company changed the English name of the Company from “Merdeka Resources Holdings Limited” to “Merdeka Mobile Group Limited” and upon the English name change becoming effective, to adopt the Chinese name “萬德移動集團有限公司” to replace “萬德資源集團有限公司” for identification purposes only with effect from 8 May 2014. The English and Chinese stock short names for trading in the Shares on the Stock Exchange was changed from “MERDEKA RES” to “MERDEKAMOBILE” and from “萬德資源” to “萬德移動” respectively with effect from 8 May 2014. The logo of the Company has also been changed from **MERDEKA** to  with effect from 8 May 2014.

FINANCIAL REVIEW

Revenue of the Group for the six months ended 30 June 2014 was generated from the trading of dairy product, beauty product, distributorship of information technology products with technical support services and money lending which was introduced in the second quarter whereas for the same period in 2013 was generated from trading of agricultural-related products and dairy products. The revenue increased by approximately HK\$18,635,000 to approximately HK\$30,803,000, in which trading business of dairy products and beauty products amounted approximately to HK\$24,537,000 and information technology business amounted approximately to HK\$6,241,000, in this period as compared to the same period in 2013. Gross profit margin for this period increased to approximately 6% from approximately 3% of the same period in 2013. The increase was mainly contributed by relatively higher gross profit margin derived from the trading business and information technology business.

The loss attributable to the owners of the company recorded approximately HK\$13,844,000 for this period. The loss was reduced by approximately HK\$7,971,000 compared to that of 2013. Higher gross profit approximately HK\$1,448,000 generated from sources of revenue being one of the reason, and also was contributed by gain of approximately HK\$2,752,000 on early partial redemption of convertible bonds of HK\$20,000,000, recorded in other income and other net gains, and the incidental finance costs of convertible bonds reduced by approximately HK\$969,000; and did not recognize any share option expense in this period, whereas 595,000,000 share options were granted under the share option scheme of the Company and therefore charged to share option expense of approximately HK\$3,322,000 in the same period in 2013. The reduced loss was partly set off by increase of approximately HK\$225,000 of operating and administrative expenses.

FOREST CONCESSIONS

The Group carries out annual review of the recoverable amount of the forest concessions. The recoverable amount of the relevant assets has been determined on the basis of their value in use.

The Group engaged Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group, to value the fair value of the forest concessions. The fair value of the forest concessions as at 31 December 2013 was approximately HK\$205,000,000 (2012: HK\$278,000,000) based on the income based approach. Under the Income-Based Approach, the discounted cash flow (“DCF”) method was adopted to calculate the present value of all the future cashflows. The discount rate adopted was 20.42% as at 31 December 2013 (2012: 20.47%).

The review led to the recognition of an impairment loss on forest concessions approximately HK\$70,000,000 (2012: HK\$560,000,000) in the statement of profit or loss for the year ended 31 December 2013.

EARLY REDEMPTION OF CONVERTIBLE BONDS

Pursuant to the announcement dated 10 February 2014, the Company agreed with the bondholders to exercise its redemption right to early redeem partially the existing outstanding convertible bonds and served a redemption notice pursuant to the supplemental deed for redeeming an outstanding principal amount of HK\$20,000,000 of the convertible bonds, which was settled in cash of HK\$19,000,000, representing a discount of approximately 5% of the principal sum of the early redeemed convertible bonds.

Pursuant to the announcement dated 30 July 2014, the Company agreed with the bondholders to exercise its redemption right to early redeem partially the existing outstanding convertible bonds and served a redemption notice pursuant to the supplemental deed for redeeming an outstanding principal amount of HK\$13,812,000 of the convertible bonds.

Following and as a result of the aforesaid redemptions of convertible bonds, the outstanding amount due by the Company to the convertible bondholders under the convertible bonds is HK\$164,068,000.

RIGHTS ISSUE

The Company on 11 April 2014 (after trading hours), entered into an underwriting agreement with CNI Securities Group Limited in relation to the underwriting and certain other arrangements in respect of the rights issue on the basis of 4 rights shares for every 1 share in issue and held on the record date at the subscription price of HK\$0.040 each. On 23 July 2014, 2,451,400,860 rights shares were issued, raising net proceeds of approximately HK\$93.56 million. As a result, the number of shares of the Company in issue as at the date of this announcement is 3,064,251,075 shares.

CHANGE IN BOARD LOT SIZE

Following the rights issue on the basis of 4 rights shares for every 1 share in issue and held on the record date became unconditional, the change in board lot size from 10,000 shares to 40,000 shares became effective on Monday, 21 July 2014. The new share certificates in board lot of 40,000 Shares each will be pink in colour.

FUND RAISING ACTIVITIES OF THE COMPANY

During the period and up to the date of this announcement, the Company has carried out the following fund raising activities:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
6 December 2013	Placing of new Shares under specific mandate	HK\$22.55 million	Approximately HK\$2.25 million for the expansions of trading business; approximately HK\$6.77 for the information technology business and approximately HK\$13.53 million for general working capital	Approximately HK\$13.50 million has been used for the redemption of the convertible bonds; approximately HK\$2.2 million for the expansions of trading business; approximately HK\$4.4 million for the information technology business; and approximately HK\$2.45 million for general working capital purpose
21 February 2014	Placing of new Shares under general mandate	HK\$12.56 million	For general working capital to finance its business development and/or to finance any future investment opportunities	Approximately HK\$3 million has been used for the expansions of trading business; and approximately HK\$2 million has been used for general working capital and the remaining is deposited in bank
11 April 2014	Rights issue on the basis of four rights shares for every one share held on the record date	HK\$93.56 million	(i) at least half of the net proceeds from the rights issue will be applied for the partial redemption of the convertible bonds; (ii) the remaining net proceeds from the rights issue will be applied for strengthening the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities	Approximately HK\$13 million has been used for the redemption of the convertible bonds and the remaining is deposited in bank

OUTLOOK

As the forestry and plantation businesses did not progress as scheduled, the Group will endeavour to preserve our financial resources before the resumption of the forestry project. In the meantime, the management will strive to grow the trading business which could provide a stable source of revenue. We will also actively look for any suitable business opportunities to further broaden the sources of revenues and cash inflows of the Group, taking into account the funding requirement and associated business risk.

The Group is looking forward to the exploding mobile game market, value of which is growing tremendously with relatively low barriers to entry. Leveraging on the reputation and experience of Ever Hero Group in online and mobile game industry and with the Company's capabilities in relation to the provision of virtualization solutions such as cloud computing and server management by its indirect wholly owned subsidiary, Quasicom Systems Limited, as well as merging with the expertise of Mian Yang Heng Da as a content provider and a builder of city Wi-Fi in the People's Republic of China, the Company feels that mobile game industry would be a possible business opportunity for the Company to explore.

Following the completion of the rights issue on the basis of four rights shares for every one share held on the record date, the Company intends to apply part of the net proceeds raised from it to finance its business development in financial and related services businesses as the Group discovers that barriers to entry into these are relatively low and the incomes derived are comparatively steady and lower in costs. To accommodate and to facilitate this development, the Group is applying for a money lender licence. Furthermore, the Group is also actively looking for suitable business opportunities to further explore and develop the business in this aspect.

On 9 July 2014 (after trading hours), the Company and bondholders entered into a second supplemental deed, pursuant to which the Company and bondholders agreed to (a) extend the maturity date of the convertible bonds for a further three years to 12 August 2017; and (b) revise the conversion price of the convertible bonds from HK\$4.00 per Share to HK\$0.0462 per Share. All other terms of the convertible bonds shall remain unchanged and valid. As this transaction is a connected transaction, it is subject to reporting and announcement requirements, as well as approval by the independent shareholders at an extraordinary general meeting to be held by the Company under the GEM Listing Rules. A circular containing, among other things, details of the convertible bonds, the proposed change of terms and the letters from the independent board committee and the independent financial adviser and the notice convening the extraordinary general meeting, will be despatched to the shareholders in compliance with the GEM Listing Rules as soon as practicable.

CAPITAL STRUCTURE AND GEARING RATIO

	As at 30 June 2014		As at 31 December 2013	
	<i>HK\$'000</i>	Proportion	<i>HK\$'000</i>	Proportion
	(Unaudited)		(Audited)	
Total borrowings				
– Bank borrowings	262	–	366	–
– Convertible bonds (liability component)	178,508	–	187,471	–
	<u>178,770</u>	<u>70.02%</u>	187,837	76.81%
Equity attributable to owners of the Company	<u>76,537</u>	<u>29.98%</u>	<u>56,713</u>	<u>23.19%</u>
Total capital employed	<u>255,307</u>	<u>100.0%</u>	<u>244,550</u>	<u>100.0%</u>

The Group's gearing ratio was approximately 70.02% as at 30 June 2014 (31 December 2013: 76.81%). The decrease was mainly contributed by decrease in total borrowings which were partially repaid during the six months ended 30 June 2014.

The outstanding principal amount of the convertible bonds remained at approximately HK\$177,880,000 as at 30 June 2014 (31 December 2013: HK\$197,880,000). Its maturity date is 12 August 2014 and the effective interest rate of the liability component is approximately 11.66%.

LIQUIDITY AND FINANCIAL RESOURCES

<i>(HK\$'000)</i>	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Current assets	44,160	39,363
Current liabilities	182,476	190,047
Current ratio	24.20%	20.71%

Current ratio as at 30 June 2014 was 24.20% (31 December 2013: 20.71%), reflecting the improving inclination of the Group's liquidity.

As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately HK\$9,246,000 (31 December 2013: HK\$7,895,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 30 June 2014 and 31 December 2013. As at 30 June 2014, about 88% (31 December 2013: 93%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 87% (31 December 2013: 91%) 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 2014 and year ended 31 December 2013, 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 2014 and 31 December 2013, 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 dispose of any material subsidiaries and associates during the period ended 30 June 2014.

SIGNIFICANT INVESTMENTS

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

PLEDGE OF ASSETS

As at 30 June 2014 and 31 December 2013, the Group did not have any pledged deposits and assets.

CAPITAL COMMITMENTS

As at 30 June 2014 and 31 December 2013, the Group did not have any significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group employed 20 staff (31 December 2013: 30). 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 2014, there were 1,697,948 share options outstanding (31 December 2013: 1,697,948, having adjusted for the share consolidation of 40 into 1 effected in March 2013 and rights issue of 2 shares for 5 shares effected in July 2013).

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014, together with the comparative unaudited figures for the corresponding periods in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	2	15,634	10,656	30,803	12,168
Cost of sales		<u>(14,856)</u>	<u>(10,329)</u>	<u>(28,995)</u>	<u>(11,808)</u>
Gross profit		778	327	1,808	360
Other income and other net gains		21	1	2,775	38
Operating and administrative expenses		(3,762)	(3,786)	(8,160)	(7,935)
Equity-settled share option expenses		-	-	-	(3,322)
Finance costs	5	<u>(5,108)</u>	<u>(5,730)</u>	<u>(10,267)</u>	<u>(11,236)</u>
LOSS BEFORE TAX	4	<u>(8,071)</u>	<u>(9,188)</u>	<u>(13,844)</u>	<u>(22,095)</u>
Income tax	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LOSS FOR THE PERIOD		<u>(8,071)</u>	<u>(9,188)</u>	<u>(13,844)</u>	<u>(22,095)</u>
Loss attributable to:					
Owners of the Company		<u>(8,071)</u>	<u>(9,049)</u>	<u>(13,844)</u>	<u>(21,815)</u>
Non-controlling interests		<u>-</u>	<u>(139)</u>	<u>-</u>	<u>(280)</u>
		<u>(8,071)</u>	<u>(9,188)</u>	<u>(13,844)</u>	<u>(22,095)</u>
		HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
LOSS PER SHARE					
Basic and diluted	8	<u>(0.01)</u>	<u>(0.028)</u>	<u>(0.02)</u>	<u>(0.069)</u>

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(8,071)	(9,188)	(13,844)	(22,095)
Other comprehensive loss, after tax:				
Exchange difference on translating of financial statements of overseas subsidiaries	—	—	—	—
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(8,071)</u>	<u>(9,188)</u>	<u>(13,844)</u>	<u>(22,095)</u>
Total comprehensive loss attributable to:				
Owners of the Company	(8,071)	(9,049)	(13,844)	(21,815)
Non-controlling interests	—	(139)	—	(280)
	<u>(8,071)</u>	<u>(9,188)</u>	<u>(13,844)</u>	<u>(22,095)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	30 June 2014 (Unaudited) <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,244	1,245
Forest concessions		199,811	199,811
Other financial assets-profits guarantee at fair value		6,867	–
Goodwill		43,435	6,341
Total non-current assets		<u>251,357</u>	<u>207,397</u>
Current assets			
Trade receivables	11	7,522	2,300
Prepayments, deposits and other receivables		25,751	29,168
Inventory		1,641	–
Cash and cash equivalents	12	9,246	7,895
Total current assets		<u>44,160</u>	<u>39,363</u>
Total assets		<u>295,517</u>	<u>246,760</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Issued capital	14	6,129	3,859
Reserves		71,366	54,504
		<u>77,495</u>	<u>58,363</u>
Non-controlling interests		<u>(958)</u>	<u>(1,650)</u>
Total equity		<u>76,537</u>	<u>56,713</u>
Non-current liabilities			
Finance lease obligation due more than 1 year		424	–
Promissory note		36,080	–
		<u>36,504</u>	<u>–</u>
Current liabilities			
Bank borrowings		262	366
Trade payables	15	1,985	917
Finance lease obligation		57	–
Other payables and accruals		1,664	1,293
Convertible bonds	13	178,508	187,471
		<u>182,476</u>	<u>190,047</u>
Total liabilities		<u>218,980</u>	<u>190,047</u>
Total equity and liabilities		<u>295,517</u>	<u>246,760</u>
Net current assets		<u>(138,316)</u>	<u>(150,684)</u>
Total assets less current liabilities		<u>76,537</u>	<u>56,713</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company										
	Equity										Total equity (Unaudited) HK\$'000
	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	Capital reduction 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	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
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 conversion of convertible bonds	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	<u>91,671</u>	<u>707,150</u>	<u>66,710</u>	<u>28,733</u>	<u>963</u>	<u>-</u>	<u>22</u>	<u>(792,055)</u>	<u>103,194</u>	<u>4,056</u>	<u>107,250</u>
At 1 January 2014	3,859	708,125	66,710	25,283	963	132,931	(54)	(879,454)	58,363	(1,650)	56,713
Changes in equity for 2014:											
Loss for the period	-	-	-	-	-	-	-	(13,844)	(13,844)	-	(13,844)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	(13,844)	(13,844)	-	(13,844)
Partial redemption of convertible bonds	-	-	-	(2,555)	-	-	-	-	(2,555)	-	(2,555)
Issue of new shares upon placing	2,270	33,261	-	-	-	-	-	-	35,531	-	35,531
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	692	692
At 30 June 2014	<u>6,129</u>	<u>741,386</u>	<u>66,710</u>	<u>22,728</u>	<u>963</u>	<u>132,931</u>	<u>(54)</u>	<u>(893,298)</u>	<u>77,495</u>	<u>(958)</u>	<u>76,537</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<i>Notes</i>	Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Net cash flows used in operating activities		(14,016)	(6,020)
Net cash flows (used in)/generated from investing activities		(1,508)	(30)
Net cash flows generated from financing activities		16,875	5,885
Net decrease in cash and cash equivalents		1,351	(165)
Cash and cash equivalents at beginning of period		9,895	2,620
Cash and cash equivalents at end of period		9,246	2,455
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	<i>12</i>	9,246	2,455

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 applicable 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 2013 (the “2013 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2013 Annual Report, except for the new standards, amendments and interpretations (“the New HKFRSs”) issued by the HKICPA that are adopted for the first time for the current financial statements. The adoption of the New HKFRSs had no material impact on the Group’s financial statements. The Group had not early adopted any New HKFRSs that have been issued but are not yet effective.

2. REVENUE

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

An analysis of revenue is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue from:				
Trading business	13,211	10,656	24,537	12,168
Information technology business	2,397	–	6,241	–
Money lending	25	–	25	–
	<u>15,633</u>	<u>10,656</u>	<u>30,803</u>	<u>12,168</u>

3. SEGMENT REPORTING

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

- (a) the trading business segment engaged in the trading of goods, components and accessories;
- (b) the forestry business segment engaged in logging of trees, the operations of wood-processing factories and the sale of sawn timber, other timber and wood products;
- (c) the plantation business segment engaged in plantation of oil palm trees and sale of palm oil;
- (d) the information technology business segment engaged in distributorship of information technology products and the provision of relevant technical support services; and
- (e) money lending business segment engaged in providing loan to money borrower and receive interest income thereon.

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 arose from the depreciation or amortisation of assets attributable to those segments.

Segment assets include non-current assets and current assets with the exception of certain assets unallocated to an individual reportable segment.

Segment liabilities include non-current liabilities and current liabilities with the exception of tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

For the six months ended 30 June 2014

	Trading business (Unaudited) HK\$'000	Forestry business (Unaudited) HK\$'000	Plantation business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Money lending business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Reconciliations (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment revenue:								
Revenue from external customers	<u>24,537</u>	<u>-</u>	<u>-</u>	<u>6,241</u>	<u>25</u>	<u>30,803</u>	<u>-</u>	<u>30,803</u>
Operating profit/(loss)	642	-	-	(1,200)	25	(533)	2,753	2,220
Interest income	-	-	-	-	-	-	22	22
Finance costs (non-cash)	-	(10,234)	-	(29)	-	(10,263)	(4)	(10,267)
Reconciled items:								
Equity-settled share option expense	-	-	-	-	-	-	-	-
Unallocated expenses	-	-	-	-	-	-	(5,819)	(5,819)
Loss before tax	<u>642</u>	<u>(10,234)</u>	<u>-</u>	<u>(1,229)</u>	<u>25</u>	<u>(10,796)</u>	<u>(3,048)</u>	<u>(13,844)</u>
Additions for non-current assets	-	-	-	120	-	120	1,414	1,534
Depreciation	-	-	-	(15)	-	(15)	(505)	(520)

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	<u>12,168</u>	<u>-</u>	<u>-</u>	<u>12,168</u>	<u>-</u>	<u>12,168</u>
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	<u>289</u>	<u>(18,082)</u>	<u>(63)</u>	<u>(17,856)</u>	<u>(4,239)</u>	<u>(22,095)</u>
Additions for non-current assets	-	-	-	-	797	797
Depreciation	-	(2,890)	(62)	(2,952)	(35)	(2,987)

As at 30 June 2014

	Trading business (Unaudited) HK\$'000	Forestry business (Unaudited) HK\$'000	Plantation business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Money lending business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Reconciliations (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment assets	9,190	199,857	-	66,829	725	276,601	-	276,601
Reconciled items:								
Cash and cash equivalents	-	-	-	-	-	-	9,158	9,158
Unallocated assets	-	-	-	-	-	-	9,758	9,758
Total assets	9,190	199,857	-	66,829	725	276,601	18,916	295,517
Segment liabilities	260	222	-	3,003	-	3,485	-	3,485
Convertible bonds	-	178,508	-	-	-	178,508	-	178,508
Reconciled items:								
Unallocated liabilities	-	-	-	-	-	-	483	483
Total liabilities	260	178,730	-	3,003	-	181,993	483	182,476

As at 31 December 2013

	Trading business (Audited) HK\$'000	Forestry business (Audited) HK\$'000	Plantation business (Audited) HK\$'000	Information Technology business (Audited) HK\$'000	Total (Audited) HK\$'000	Reconciliations (Audited) HK\$'000	Group Total (Audited) HK\$'000
Segment assets	4,458	199,811	64	7,337	211,670	1,245	212,915
Reconciled items:							
Cash and cash equivalents	-	-	-	-	-	7,098	7,098
Unallocated assets	-	-	-	-	-	26,747	26,747
Total assets	4,458	199,811	64	7,337	211,670	35,090	246,760
Segment liabilities	-	227	-	1,544	1,771	634	2,405
Convertible bonds	-	187,471	-	-	187,471	-	187,471
Reconciled items:							
Unallocated liabilities	-	-	-	-	-	171	171
Total liabilities	-	187,698	-	1,544	189,242	805	190,047

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2014 (Unaudited) HK\$'000	Six months ended 30 June 2013 (Unaudited) HK\$'000
Hong Kong (place of domicile)	30,803	12,168

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

(b) Non-current assets

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Indonesia	199,811	199,811
Hong Kong (place of domicile)	51,546	7,586
	251,357	207,397

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 2014 (Unaudited) HK\$'000	Six months ended 30 June 2013 (Unaudited) HK\$'000
Customer A – revenue from trading business – Hong Kong	–	2,782
Customer B – revenue from trading business – Hong Kong	9,490	–
Customer C – revenue from trading business – Hong Kong	9,393	2,869
Customer D – revenue from trading business – Hong Kong	2,700	–
Customer E – revenue from trading business – Hong Kong	–	2,712
Customer F – revenue from trading business – Hong Kong	2,430	–
Customer G – revenue from information technology business – Hong Kong	1,845	–
	25,858	8,363

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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation	233	1,464	520	2,987
Staff costs (including directors' emoluments)	<u>1,818</u>	<u>1,486</u>	<u>3,683</u>	<u>3,386</u>

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on convertible bonds (<i>Note</i>)	5,090	5,730	10,234	11,236
Interest on bank borrowings	13	–	29	–
Interest on finance lease obligation	<u>5</u>	<u>–</u>	<u>4</u>	<u>–</u>
	<u>5,108</u>	<u>5,730</u>	<u>10,267</u>	<u>11,236</u>

Note: 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 during the period (2013: Nil). Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2013: Nil).

There was no income tax relating to the other comprehensive income during the period (2013: 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 2014 (2013: 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<u>Loss for the period</u>				
Loss attributable to owners of the Company	<u>(8,071)</u>	<u>(9,049)</u>	<u>(13,844)</u>	<u>(21,815)</u>
		Number of shares (thousands)		
		(Restated)		(Restated)
<u>Shares</u>				
Weighted average number of ordinary shares in issue during the period	<u>612,850</u>	<u>320,850</u>	<u>565,397</u>	<u>317,576</u>

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for the periods of 2013 has been retrospectively adjusted for the share consolidation of 40 into 1 effected in March 2013 and rights issue of 2 rights shares for every 5 shares held effected 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.

9. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 4 April 2014, the Group completed the acquisition of an indirectly wholly-owned subsidiary of 100% issued share capital of Ever Hero Group Limited which is an investment holding company holding 95% shareholding interest in a subsidiary, Netgenii Technology Limited which engages in information technology business.

Pursuant to the acquisition agreement, the consideration was agreed at HK\$71,000,000, which was a mix of cash of HK\$20,000,000 and promissory note of HK\$51,000,000 that was issued at time of completion of acquisition at the interest rate of 2% per annum and its fair value at acquisition date was approximately HK\$36,080,000 which was estimated by using a discounted cash flow approach at prevailing market rate of approximately 14.429% per annum. Net assets acquired were approximately HK\$19,992,000 which consisted of a profit guarantee with fair value of approximately HK\$6,867,000. Both the promissory note and profit guarantee were valued by an independent professional qualified valuer, Castores Magi Asia Limited. Goodwill arisen from this acquisition was approximately HK\$36,088,000.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group spent approximately HK\$1,534,000 on acquisition of motor vehicle and computer and office equipment in Hong Kong (2013: HK\$797,000).

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:

	30 June 2014 (Unaudited) <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
Within 30 days	584	299
31 to 60 days	982	–
61 to 120 days	141	325
Over 120 days	5,815	1,676
	<u>7,522</u>	<u>2,300</u>

In respect of trading of dairy products, generally there is no credit period allowed to customers. For trading of beauty products, there is generally one month credit period given to customers. Regarding money lending business, period of lending according to the terms and conditions of respective money lending agreement.

12. CASH AND CASH EQUIVALENTS

	30 June 2014 (Unaudited) <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
Deposits with bank	8,218	7,358
Cash in hand	1,028	537
Cash and cash equivalents	<u>9,246</u>	<u>7,895</u>

At 30 June 2014, approximately HK\$7,019,000 was placed in time deposit carrying interest at market rate of 1.12% (2013: nil) per annum. Approximately HK\$1,199,000 was bank deposits carrying market interest rate of 0.01% (2013: 0.01%) per annum. The bank balances are deposited with creditworthy banks of high credit ratings in HK.

13. CONVERTIBLE BONDS

The movement of the liability component of the convertible bonds was as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
At beginning of the period/year	187,471	189,705
Interest charged	10,234	22,200
Early redemption of convertible bonds	<u>(19,197)</u>	<u>(24,434)</u>
At end of the period/year	<u>178,508</u>	<u>187,471</u>

14. SHARE CAPITAL

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<i>Authorised:</i>		
20,000,000,000 ordinary shares of HK\$0.01 each (31 December 2013: 20,000,000,000 ordinary shares of HK\$0.01 each)	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
612,850,215 ordinary shares of HK\$0.01 each (31 December 2013: 385,850,000 ordinary shares of HK\$0.01 each)	<u>6,129</u>	<u>3,859</u>

15. TRADE PAYABLE

An aged analysis of trade payables as at the end of reporting period based on the invoice date, are as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 30 days	265	277
31 to 60 days	23	43
61 to 120 days	–	365
Over 120 days	<u>1,697</u>	<u>232</u>
	<u>1,985</u>	<u>917</u>

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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<u>Properties</u>		
Within one year	952	854
In the second to fifth years, inclusive	220	285
	1,172	1,139

(b) Capital commitments

The Group did not have any material capital commitments as at 30 June 2014 (31 December 2013: Nil).

17. CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

18. RELATED PARTY TRANSACTIONS

Total compensation paid to key management personnel during the period amounted to approximately HK\$1,298,000 (30 June 2013: HK\$2,623,000).

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 9 July 2014 (after trading hours), the Company and the bondholders entered into a second supplemental deed, pursuant to which the Company and bondholders agreed to (a) extend the maturity date of the convertible bonds for a further three years to 12 August 2017; and (b) revise the conversion price of the convertible bonds from HK\$4.00 per Share to HK\$0.0462 per Share. All other terms of the convertible bonds shall remain unchanged and valid. As this transaction is a connected transaction, it is subject to reporting and announcement requirements, as well as approval by the independent shareholders at an extraordinary general meeting to be held by the Company under the GEM Listing Rules. A circular containing, among other things, details of the convertible bonds, the proposed change of terms and the letters from the independent board committee and the independent financial adviser and the notice convening the extraordinary general meeting, will be despatched to the shareholders in compliance with the GEM Listing Rules as soon as practicable.

On 23 July 2014, 2,451,400,860 rights shares were issued pursuant to the rights issue on the basis of 4 rights shares for every 1 share in issue and held on the record date, raising net proceeds of approximately HK\$93.56 million. As a result, the number of shares of the Company in issue as at the date of this announcement is 3,064,251,075 shares.

Pursuant to the announcement dated 30 July 2014, the Company agreed with the bondholders to exercise its redemption right to early redeem partially the existing outstanding convertible bonds and served a redemption notice pursuant to the supplemental deed for redeeming an outstanding principal amount of HK\$13,812,000 of the convertible bonds.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, 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 2014

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

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate	Total	
Cheung Wai Yin, Wilson (<i>Note</i>)	297,500	52,500,000	52,797,500	8.62
Lau Chi Yan, Pierre	2,125,000	–	2,125,000	0.35

Note: The interests disclosed includes 52,500,000 Shares of the Company beneficially held by Ivana Investments Limited ("Ivana"), which is wholly owned by Mr. Cheung Wai Yin, Wilson. The remaining 297,500 Shares of the Company are beneficially held by Mr. Cheung Wai Yin, Wilson in person.

(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 (%)
Wong Chi Man	17/1/2013	17/1/2013–16/1/2023	0.51	59,230	59,230	0.01
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013–16/1/2023	0.51	69,103	69,103	0.01

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

Name of the holder of the convertible bonds	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Cheung Wai Yin, Wilson (<i>Note</i>)	150,000,000	37,500,000	6.12

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 conversion price of HK\$4.00 per share of the Company (subject to adjustment according to the terms of the convertible bonds). Mr. Cheung Wai Yin, Wilson is deemed to be interested in such underlying shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Ivana through his controlling interest in the shareholding of Ivana as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, 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 2014 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 2014, 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	52,500,000	8.57
CLC Finance Limited ("CLC")	Directly beneficially owned	1	37,500,000	6.12
CL Group (Holdings) Limited	Through a controlled corporation	1	37,500,000	6.12
Au Suet Ming, Clarea	Through a controlled corporation	1	37,500,000	6.12

Notes:

1. Ivana has financial arrangement with CLC over these 37,500,000 shares, in which CLC has security interest over the same block of 37,500,000 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 CLC through her controlling interest in the shareholding of CLC as at 30 June 2014. CLC is a wholly owned subsidiary of CL Group (Holdings) Limited.

(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	6.12

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 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 over the convertible bonds amounted to HK\$150,000,000, in which CLC has security interest over such amount of the convertible bonds. Ms. Au Suet Ming, Clarea is deemed to be interested in such convertible bonds 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 CLC through her controlling interest in the shareholding of CLC as at 30 June 2014. CLC is a wholly owned subsidiary of CL Group (Holdings) Limited.

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 2014, 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 2014, 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 0.28% and 0.06% of the total issued share capital of the Company as at 30 June 2014 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 June 2014	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 and rights issue (Note 1) HK\$ per share
	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period						
Non-executive director										
Wong Chi Man	59,230	-	-	-	59,230	17/1/2013	17/1/2013- 16/1/2023	0.01	0.01	0.51
Independent non-executive directors										
Yeung Mo Sheung, Ann	69,103	-	-	-	69,103	17/1/2013	17/1/2013- 16/1/2023	0.01	0.01	0.51
Employees and other eligible participants										
Employees	177,692	-	-	-	177,692	30/5/2012	30/5/2012- 29/5/2022	0.017	0.017	0.86
Other eligible participants	1,391,923	-	-	-	1,391,923	30/5/2012	30/5/2012- 29/5/2022	0.017	0.017	0.86
	<u>1,697,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,697,948</u>					

Notes:

- The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital. 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.
- 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 first quarterly 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 2014, no share options were granted by the Company.

The fair value of the share options granted during the period for the six months ended 30 June 2014 was HK\$Nil (30 June 2013: HK\$3,322,000) of which the Group recognised a share option expense of approximately HK\$Nil (30 June 2013: HK\$3,322,000) during the period.

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 2014.

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 2014, 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 the role of the chairman of the Company, 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 six 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 the managing director and other individuals. The balance of power and authority is therefore ensured by the current structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board appointed Mr. Lau Chi Yan, Pierre as managing director of the Company 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.

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 the Company is in compliance with paragraph 4(2) of Appendix 3 under the GEM Listing Rules and such a deviation is not material as casual vacancy 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 2014.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2013 Annual Report of the Company issued in March 2014.

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 2014, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

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

BOARD OF DIRECTORS

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

Executive Directors:

Mr. 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 MOBILE GROUP LIMITED
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 14 August 2014

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>.