



MERDEKA

MERDEKA MOBILE GROUP LIMITED
萬德移動集團有限公司*

STOCK CODE 股份代號：8163

* for identification purposes only

* 僅供識別

THIRD QUARTERLY REPORT 2014
二零一四年第三季度報告

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

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)的特色

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 September 2014, Merdeka Mobile Group Limited (the “Company”) and its subsidiaries (the “Group”) continued to engage in forestry and plantation business, trading business, information technology business and money lending 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 and money lending business continued to grow healthily and the information technology business remained challenging but rewarding.

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 has been working with the supplier for a settlement of the contract that stipulated 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. Further to an outlet for selling beauty and skin care products was opened up in Kwun Tung, various distribution channels have been established with different media, like internet and television.

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  to  with effect from 8 May 2014.

FINANCIAL REVIEW

Revenue of the Group for the nine months ended 30 September 2014 was generated from the trading of dairy products and beauty products, information technology business and money lending business which was introduced in the second quarter whereas for the same period in Year 2013 was generated from trading of agricultural-related products and dairy products, and the new IT business which was acquired in 2nd half of Year 2013. The revenue increased by approximately HK\$22,491,000 to approximately HK\$47,478,000 on a year-on-year basis. Revenue of trading business of dairy products and beauty products amounted approximately to HK\$36,024,000 which represented surge of revenue approximately HK\$13,216,000 on a year-on-year basis. The surge of revenue was driven by a good shift of sources of revenue from a comparably low volume of turnover's agricultural-related products to a comparably higher volume of turnover's beauty products and dairy products which was introduced since the second quarter of last year. Revenue from IT business increased by approximately HK\$9,109,000 to approximately HK\$11,288,000 on a year-on-year basis. The surge of revenue mainly was driven by additional contribution from the newly acquired business of Ever Hero group, and the contribution of revenue in 1st half of this year by Quasicom Systems Limited since acquisition in 2nd half of Year 2013. The newly introduced money lending business also contributed revenue approximately HK\$166,000 in the period under review.

Cost of Sales for the nine months ended 30 September 2014 increased by approximately HK\$18,321,000 to approximately HK\$41,897,000 on a year-on-year basis which corresponded to the surge of revenue for the period under review.

Gross profit for this period increased to approximately HK\$5,581,000 from approximately HK\$1,411,000 on a year-on-year basis. The increase was mainly contributed by relatively higher gross profit margin derived from the trading business and information technology business.

The profit attributable to the owners of the company recorded approximately HK\$12,103,000 for this period, whereas in the same period of Year 2013 recorded loss attributable to the owners of the Company approximately HK\$29,132,000. The turnaround from loss to profit was mainly contributed by sharp increase in other income and other net gains by approximately HK\$33,338,000 to approximately HK\$35,627,000, and the drastic reduction in finance costs of approximately HK\$5,383,000 to approximately HK\$11,474,000 net off increase in operating and administrative expenses of approximately HK\$4,581,000 from approximately HK\$13,050,000 in Year 2013 which represented increased operating activities during the period under review.

Other income and other net gains mainly comprised of a one-off recognition of gain in fair value on extinguishment of convertible bonds liability component of approximately HK\$39,480,000 derived from revaluation upon extension of convertible bonds for 3 years, and gain of approximately HK\$2,752,000 on early partial redemption of convertible bonds net off one-off loss on written-off of goodwill in a subsidiary, Quasicom, of approximately HK\$6,341,000 and loss on early repayment of promissory note of approximately HK\$388,000.

The drastic reduction in finance costs was contributed by partial early redemption of convertible bonds of principal approximately HK\$73,812,000 during period under review in this year. Also, no recognition of any share option expense in this year, 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.

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 ("Roma"), 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 valuation was performed by Mr. Kelvin Luk of Roma. Mr. Luk is a member of the International Association of Consultants, Valuators and Analysts (IACVA). He has over nine years of experience in valuation and consultation related to forestry projects in Indonesia, Papua New Guinea, the People's Republic of China, Cambodia, Mozambique, the Philippines and etc..

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.

CONVERTIBLE BONDS

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.

Pursuant to the announcement dated 15 August 2014, the Company agreed with a bondholder to exercise its redemption right to early redeem partially the outstanding convertible bonds and served a redemption notice pursuant to the supplemental deed for redeeming an outstanding principal amount of HK\$40,000,000 of the convertible bonds.

Following and as a result of the aforesaid redemptions of convertible bonds, the outstanding principal amount due by the Company to the convertible bondholders under the convertible bonds is HK\$124,068,000.

Second Supplemental Deed

The Second Supplemental Deed dated 9 July 2014 and the transactions contemplated thereunder and the grant of a specific mandate to the directors of the Company to allot and issue new ordinary shares of HK\$0.01 each in the share capital of the Company upon exercise of the conversion rights attached to the Convertible Bonds at the conversion price of HK\$0.0462 per share (subject to adjustment) upon and subject to the terms and conditions of the Convertible Bonds as amended by the Second Supplemental Deed were approved, confirmed and ratified by the shareholders of the Company during an extraordinary general meeting held on 19 September 2014.

As a result of the share consolidation, pursuant to the terms and conditions of the instrument of the convertible bonds, with effect from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation become effective, 29 September 2014, the conversion price of the convertible bonds has been adjusted to HK\$0.3696 per consolidated share. Therefore, 335,681,818 conversion shares will be allotted and issued pursuant to the Second Supplemental Deed with HK\$124,068,000 being the outstanding principal amount due by the Company to the convertible bondholders under the convertible bonds as at the date of this report. The said adjusted conversion price has been reviewed by the Company's auditors, Elite Partners CPA Limited.

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.

SHARE CONSOLIDATION, CHANGE IN BOARD LOT SIZE, THE CAPITAL REDUCTION AND SUB-DIVISION

Pursuant to the announcement dated 26 September 2014, the share consolidation, the capital reduction and sub-division as detailed in the circular dated 3 September 2014 were approved by the shareholders of the Company during an extraordinary general meeting held on 26 September 2014. As a result, the events set forth in the timetable in respect of the Share Consolidation, change in board lot size, the Capital Reduction and Sub-division on pages iii and iv of the circular dated 3 September 2014 were carried out accordingly.

The share consolidation was effective on 29 September 2014, and accordingly, the change of board lot size of the consolidated shares from 40,000 to 20,000 each became upon the share consolidation becoming effective.

As a result of the share consolidation, the number of shares of the Company in issue as at the date of this report is 383,031,384 shares.

As a result of the share consolidation, pursuant to the terms and conditions of the instrument of the convertible bonds, with effect from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation become effective, 29 September 2014, the conversion price of the convertible bonds has been adjusted to HK\$0.3696 per consolidated share, and pursuant to the terms and conditions of the existing share options scheme of the Company, the subscription price of the outstanding options has been adjusted to HK\$5.68 and HK\$3.36 per consolidated share respectively, based on which a total of 237,101 Shares (each at HK\$5.68) and 19,387 Shares (each at HK\$3.36) will be issued upon exercise of the outstanding options in full. The said adjusted conversion price and subscription price have been reviewed by the Company's auditors, Elite Partners CPA Limited.

However, as trading in the shares of the Company on the Stock Exchange (stock codes: 8163 and 8377) has been suspended with effect from 9:00 a.m. on 3 November 2014 pending the release of an announcement in relation to a very substantial acquisition of the Company, which is inside information in nature, the share consolidation, change in board lot size, the capital reduction and sub-division as stated in the circular of the Company dated 3 September 2014 and the closing of the temporary counter for trading Consolidated Shares in board lots of 5,000 Consolidated Shares (in the form of existing share certificates) will thus be extended. Further announcement relating to the revised expected timetable for the implementation of the events aforementioned will be published by the Company in due course.

MEMORANDUM OF UNDERSTANDING

On 19 September 2014 (after trading hours), the Company has through its wholly-owned subsidiary, End User Investments Limited, entered into a memorandum of understanding with Heng He Financial Lease (Shanghai) Company Limited (恒河融資租賃(上海)有限公司), a company established in The People's Republic of China with limited liability, pursuant to which End User Investments Limited and Heng He Financial Lease (Shanghai) Company Limited (恒河融資租賃(上海)有限公司) agreed to further negotiate for the possible subscription for not less than 60% of the equity interest of Heng He Financial Lease (Shanghai) Company Limited (恒河融資租賃(上海)有限公司) by the Group through End User Investments Limited.

Heng He Financial Lease (Shanghai) Company Limited (恒河融資租賃(上海)有限公司) is a company established in The People's Republic of China and is principally engaged in the financial lease business, rental business, investment in leased properties from local and overseas regions, and provision of maintenance, consultation and guarantee services relating to and realization of leased properties.

As disclosed in various communications by the Company with its shareholders and public investors, the Group is actively exploring suitable investment opportunities and to diversify its businesses in order to lower the risk as well as maximize return to the Shareholders. The Board considers that financial lease business in The People's Republic of China is developing vigorously in recent years and is likely to yield attractive return. To the best of the information, knowledge and belief of the Company, Heng He Financial Lease (Shanghai) Company Limited (恒河融資租賃(上海)有限公司) is a well-established enterprise in Shanghai, The People's Republic of China involving in the financial lease business and has developed extensive business network. The Board considers that, in the event the possible investment materialises, the Company would be offered a valuable opportunity to participate in the financial lease business in The People's Republic of China.

PROMISSORY NOTE

Following the completion of the acquisition of the Ever Hero group on 4 April 2014, and in accordance with the terms of the relevant acquisition agreement, the Company has issued the promissory note to the vendor pursuant to the terms of the promissory note instrument. On 1 September 2014, the Company has redeemed HK\$2,400,000 out of the total outstanding amount of HK\$51,000,000 of the promissory note. As a result, the total amount of outstanding promissory note is HK\$48,600,000 as at the date of this report.

FUND RAISING ACTIVITIES OF THE COMPANY

During the period and up to the date of this report, 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 (<i>Note</i>)	HK\$12.56 million	For general working capital to finance its business development and/or to finance any future investment opportunities	Approximately HK\$5 million has been used for the expansions of trading business; and approximately HK\$4.5 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\$53.81 million has been used for the redemption of the convertible bonds and the remaining is deposited in bank

Note: Prior to this placing of new shares under general mandate and at the extraordinary general meeting of the Company held on 29 January 2014, the shareholders had approved, among other things, an ordinary resolution for the grant of the new general mandate to the Directors to issue not more than 77,170,043 Shares as defined in the circular of the Company dated 13 January 2014. Since the annual general meeting of the Company held on 27 June 2014 and except for the grant of new general mandate herein, the Company has not refreshed its general mandate granted at the annual general meeting of the Company held on 27 June 2014. As at the date of this report, the Company would be allowed to allot and issue up to 76,606,277 Shares, being 20% of the total number of Shares in issue as at the date of passing the relevant ordinary resolution after adjustment being made because of share consolidation of 8 into 1 effective 29 September 2014.

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, 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. In respect of this, the Company is consolidating and restructuring the information technology business, including winding up Quasicom Systems Limited, to enjoy a more cost effective structure that is ready to meet the market challenges.

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.

UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2014

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	2	16,675	12,819	47,478	24,987
Cost of sales		(12,902)	(11,768)	(41,897)	(23,576)
Gross profit		3,773	1,051	5,581	1,411
Other income and other net gains		32,852	2,251	35,627	2,289
Operating and administrative expenses		(9,471)	(5,115)	(17,631)	(13,050)
Equity-settled share option expenses		–	–	–	(3,322)
Finance costs	3	(1,207)	(5,621)	(11,474)	(16,857)
PROFIT/(LOSS) BEFORE TAX		25,947	(7,434)	12,103	(29,529)
Income tax	4	–	–	–	–
PROFIT/(LOSS) FOR THE PERIOD		25,947	(7,434)	12,103	(29,529)
Profit/(Loss) attributable to: Owners of the Company		25,947	(7,317)	12,103	(29,132)
Non-controlling interests		–	(117)	–	(397)
		25,947	(7,434)	12,103	(29,529)
		HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
Earnings/(Loss) per share attributable to owners of the Company					
Basic	6	0.068	(0.035)	0.033	(0.144)
Diluted		0.036	(0.035)	0.032	(0.144)

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2014

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	25,947	(7,434)	12,103	(29,529)
Other comprehensive loss, after tax: Exchange difference on translating of financial statement of overseas subsidiaries	-	-	-	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD	25,947	(7,434)	12,103	(29,529)
Total comprehensive profit/(loss) attributable to:				
Owners of the Company	25,947	(7,317)	12,103	(29,132)
Non-controlling interests	-	(117)	-	(397)
	25,947	(7,434)	12,103	(29,529)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

	Attributable to owners of the Company										
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component	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	Total equity (Unaudited) HK\$'000
				of convertible bonds (Unaudited) 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	-	-	-	-	-	-	-	(28,132)	(28,132)	(397)	(29,529)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	(28,132)	(28,132)	(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	136,340	701,874	66,710	25,283	963	-	22	(799,372)	131,820	3,939	135,759
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	-	-	-	-	-	-	-	12,103	12,103	-	12,103
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	12,103	12,103	-	12,103
Issue of new shares upon placing	2,270	33,261	-	-	-	-	-	-	35,531	-	35,531
Issue of rights shares	24,514	69,702	-	-	-	-	-	-	94,216	-	94,216
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	692	692
Partial redemption of convertible bonds	-	-	-	(2,555)	-	-	-	-	(2,555)	-	(2,555)
At 30 September 2014	30,643	811,088	66,710	22,728	963	132,931	(54)	(867,351)	197,658	(958)	196,700

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 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.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting period beginning on 1 January 2014. 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 2014 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 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000	2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000
Income from trading business	11,487	10,640	36,024	22,808
Income from information technology business	5,047	2,179	11,288	2,179
Income from money lending business	141	–	166	–
	16,675	12,819	47,478	24,987

3. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on convertible bonds (Note 1)	(289)	5,561	9,944	16,797
Interest on promissory note (Note 2)	1,480	–	1,480	–
Interest on bank borrowings	10	60	39	60
Interest on finance lease obligation	6	–	11	–
	1,207	5,621	11,474	16,857

Note 1: The charge represents the imputed interest on the liability component of the convertible bonds for the respective periods.

Note 2: The charge represents the imputed interest and coupon interest on the promissory note for the relevant period.

4. INCOME TAX

No provision for Hong Kong profits tax has been made for the period under review (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 under review (2013: 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 2014 (2013: Nil).

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company for the three months and nine months ended 30 September 2014 and the weighted average number of ordinary shares in issue during the period.

The calculation of basic earnings/(loss) per share is based on:

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit/(Loss) for the period				
Profit/(Loss) attributable to owners of the Company	25,947	(7,317)	12,103	(29,132)
	Number of shares (thousands)			
	(Restated)		(Restated)	
Shares				
Weighted average number of ordinary shares in issue during the period	383,032	210,857	363,368	202,654

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is calculated by (1) adjusting the weighted average number of ordinary shares in issue during the period used in the calculation of basic earnings/(loss) per share to assume conversion of all dilutive potential ordinary shares. The Company only has one category of dilutive potential ordinary shares from convertible bonds; and (2) adjusting the profit/(loss) attributable to owners of the Company used in the calculation of the basic earnings/(loss) per share by taking into account of the interest expense saved assumed conversion of the dilutive potential ordinary shares from convertible bonds.

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(continued)*

During the period ended 30 September 2014, the outstanding share options have anti-dilutive effect in earnings/(loss) per share, therefore is ignored in the calculation.

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit/(Loss) attributable to owners of the Company	25,947	(7,317)	12,103	(29,132)
Interest (income)/expense on convertible bonds	(289)	5,561	9,945	16,797
Adjusted profit/(loss) attributable to owners of the Company	25,658	(1,756)	22,048	(12,335)

	Number of shares (thousands)			
	(Restated)		(Restated)	
Shares				
Weighted average number of ordinary shares in issue during the period	383,032	210,857	363,368	202,654
Dilutive effect-weighted average number of potential ordinary shares assumed conversion of convertible bonds	335,682	335,682	335,682	335,682
Adjusted weighted average number of ordinary shares in issue during the period	718,714	546,539	699,050	538,336

The diluted loss per share amount for the relevant periods in year 2013 are reduced when taking into account of the imputed interest expense and number of potential ordinary shares from convertible bonds, the convertible bonds have an anti-dilutive effect on the basic loss per share, therefore are ignored in the calculation of the diluted loss per share.

The weighted average number of ordinary shares in the calculation of basic and diluted earnings/(loss) per share has been retrospectively adjusted for the rights issue of 4 rights shares for every 1 share effected on 23 July 2014 and share consolidation of 8 shares into 1 consolidated share effected on 29 September 2014.

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 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 September 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	185,938	32,812,500 (Note 1)	32,998,438	8.62
Lau Chi Yan, Pierre (Note 2)	1,328,125	–	1,328,125	0.35

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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)**Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 September 2014** (continued)

(ii) Long positions in the underlying shares of the share options granted under the share option scheme of the Company:

Name of directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK\$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Wong Chi Man	17/1/2013	17/1/2013 – 16/1/2023	3.36	8,948	8,948	0.002
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013 – 16/1/2023	3.36	10,439	10,439	0.003

(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	110,000,000	297,619,048	77.70

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2017) 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\$0.3696 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 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 nine months ended 30 September 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 September 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	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
Ivana	Directly beneficially owned	32,812,500	8.57

(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	110,000,000	297,619,048	77.70

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2017) 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\$0.3696 per share of the Company (subject to adjustment according to the terms of the convertible bonds).

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 30 September 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 September 2014, there were 256,488 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 256,488, which represents approximately 0.07% of the total issued share capital of the Company both as at 30 September 2014 and the date of this report 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 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 rights issue and share consolidation (Note 1) HK\$ per share
	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Adjusted during the period upon effective of rights issue and share consolidation (Note 1)						
Non-executive director											
Wong Chi Man	59,230	-	-	-	(50,282)	8,948	17/1/2013	17/1/2013-16/1/2023	0.01	0.01	3.36
Independent non-executive directors											
Yeung Mo Sheung, Ann	69,103	-	-	-	(58,664)	10,439	17/1/2013	17/1/2013-16/1/2023	0.01	0.01	3.36
Employees and other eligible participants											
Employees	177,692	-	-	-	(150,851)	26,841	30/5/2012	30/5/2012-29/5/2022	0.017	0.017	5.68
Other eligible participants	1,391,923	-	-	-	(1,181,663)	210,260	30/5/2012	30/5/2012-29/5/2022	0.017	0.017	5.68
	1,697,948	-	-	-	(1,441,460)	256,488					

SHARE OPTION SCHEME *(continued)*

Notes:

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital. As a result of the rights issue completed on 23 July 2014 and the share consolidation of 8 into 1 effective on 29 September 2014 and, 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.

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 2014, no share options were granted by the Company.

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

BOARD OF DIRECTORS

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

Executive Directors:

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

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

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, 11 November 2014

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