



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 ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 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 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 Merdeka Mobile Group Limited. The directors of Merdeka Mobile Group Limited, 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 purpose only

## **LETTER TO THE SHAREHOLDERS**

Dear Shareholders,

On behalf of Merdeka Mobile Group Limited, I am pleased to present the 2014 annual results of the Company and its subsidiaries for the year ended 31 December 2014. During the year, the Group is principally engaged in forestry business, plantation business, trading business including the trading of various brands of milk powder products to customers based in Hong Kong, information technology business and it has also diverged into the money lending business.

### **BUSINESS AND OPERATION REVIEW**

Regarding the forestry project of the Group, in view of the news and travel alerts appearing in recent months related to the continuing threat of terrorist attacks and communal clash occurred in Timika, the Board considers that the resumption of operation will remain suspended due to the continuing escalation of violence during the year at where the Group's office is located. Therefore the staff members in Timika have to evacuate and the process of obtaining the land use permit is still hindered, though, according to the updated legal opinion and legal confirmation letter from Indonesian lawyers, the Company is legally permitted to carry out land clearing activities and to develop oil palm plantation business within the Mimika Concessions Areas. The Group had kept its operation scale to preserve its financial resources and engaged a local resident to help overseeing the development of the political unrest in Timika. As the forestry and plantation businesses did not progress as scheduled due to the uncertain prospects and political environment in Timika, the Group strived to grow the trading business which could provide a stable source of revenue. The Group sources the milk powder products directly from the milk powder product importers in Hong Kong and sells to (i) the bulk purchasers in Hong Kong; (ii) the pharmacies in Hong Kong; and (iii) the individual customers through e-commerce platform. On the other hand, the Group has actively pursued suitable business opportunities to further broaden the sources of revenue and cash inflows of the Group, taking into account the funding requirement and associated business risk. During the year, the Group suffered loss from its existing business for an extended period of time mainly due to the suspension of its forestry project in Timika. However, the gross profit margin was improving as a result of the revenue growth in the trading and information technology business of the Group.

Regarding the trading project of tailings in the Papua Province of Indonesia, the management has been working with the supplier for a settlement of the contract that stipulated all deliveries be taken by August 2014.

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. In order to enjoy complimentary benefits, the Group had also 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.

While focusing on its existing business, it is part of the business strategy of the Group to seek for new investments when opportunities arise. During the year, the Company commenced its money lending activities apart from its principal business in the second quarter of 2014. To accommodate and to facilitate this business development, the Group had applied for, and was granted, a money lenders licence in Hong Kong to carry on business as a money lender for a period of twelve (12) months from 2 December 2014. The Group is able to develop the money lending business as one of its principal lines of business by providing loans in a systematic and repetitive nature in its ordinary course of business, subject to compliance with the requirements in the Money Lenders Ordinance.

## **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 announcement. 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 announcement 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.

The order confirming the Capital Reduction and the Sub-division was granted by the Grand Court of the Cayman Islands (the "Court") on 19 December 2014 (Cayman Islands time), and copies of order of the Court and other relevant documents was filed and duly registered with the Registrar of Companies in the Cayman Islands on 5 January 2015 (Cayman Islands time). Accordingly, all the conditions precedent for the implementation of the Capital Reduction and Sub-division was fulfilled and the Capital Reduction became effective on 6 January 2015 (Hong Kong time).

## **CHANGE OF COMPANY NAME**

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.

## **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. Subsequent to the balance sheet date, the Company has on 19 March 2015, partially redeemed HK\$10 million of the promissory note at a cash consideration of HK\$10 million paid to Hero Win Development Limited, the holder of the promissory note. As a results, the total amount of outstanding promissory note is HK\$38,600,000 as at the date of this announcement.

## **VERY SUBSTANTIAL ACQUISITION**

On 31 October 2014, the Company, through its wholly-owned subsidiary End User Investments Limited, entered into an acquisition agreement with Yihua Enterprises Limited as vendor (the "Vendor") and Mr. Cheng Jun and Mr. Gao Yun Feng, being the guarantors, pursuant to which End User Investments Limited has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the entire issued share capital of Blossom Height Ventures Limited and the amounts due by Blossom Height Ventures Limited to the Vendor at a total consideration of HK\$72 million. Blossom Height Ventures Limited, through its wholly owned Hong Kong subsidiary, Ideal Magic International Limited (裕驊國際有限公司), holds 64.71% of the enlarged (but not fully paid up) registered capital of 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited\*) (the "PRC Company").

The PRC Company is principally engaged in the financial leasing business, which specialises in organising and providing direct financial leasing services and sale-and-leaseback services to customers in the PRC. The customers of the PRC Company (also known as the lessees) are mainly manufacturing companies and governmental authorities.

Pursuant to the Acquisition Agreement, the Consideration of HK\$72 million shall be settled in the following manner: (i) HK\$32 million shall be settled by way of promissory note to be issued by the Company to the Vendor on completion; and (ii) HK\$40 million shall be settled by way of convertible bonds to be issued by the Company to the Vendor on completion.

## **FUND RAISING ACTIVITIES OF THE COMPANY**

In the past 12 months immediately prior to the date of this announcement, the Company has carried out the following fund raising activities:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
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 partial redemption of the convertible bonds; approximately HK\$6.75 million has been used for the expansion of money lending business; and the remaining is deposited in bank



## **OUTLOOK**

The Board expects that in the year of 2015, due to the suspension of forestry projects in Indonesia, there was no revenue generated from the Group's forestry and plantation business. However, the trading of milk powder products continues to provide a stable source of revenue to the Group and as the business is growing healthily, the Group is expanding its trading business into other consumer products. For the information technology business, revenue would be mainly driven by the additional contribution from the consolidation of different acquired entities into a single stream of income. Moreover, as a result of the Group commenced its money lending activities in the second quarter of 2014, there would be an overall increase in revenue as well as the operating profit of the Group as compared to year of 2014.

Following the completion of the acquisition of Blossom Height Ventures Limited, as the PRC Company has been generating profits in the year of 2014, it is expected that this acquisition will contribute profit to the Group after completion. The Directors believe that this acquisition will allow the Group, without setting up a new financing company, to further develop its financing related business in the PRC through a direct working capital injection, and subsequently to enjoy the benefits of the capital leverage in the PRC Company. Looking forward, in view of the growth potential of the financial leasing industry in the PRC, the Directors consider that this acquisition will enhance the performance of the Group and the return to the Shareholders as a whole.

## **APPRECIATION**

I would like to express my gratitude to our management team and all staff for their hard work in the execution of the Group's strategies and operations during the past year. As approved by the shareholders in the annual general meeting held on 3 May 2012, the Company adopted a share option scheme, which could provide incentives and rewards to eligible participants for their contribution to the Group. Last but not the least, I wish to thank all shareholders, customers, suppliers, business partners, bankers, government authorities for their continuous support and confidence in the Group.

**Cheung Wai Yin, Wilson**

*Chairman and Chief Executive Officer*

Hong Kong

31 March 2015



## ANNUAL RESULTS

The board of directors (the “Board”) of the Company is pleased to announce that the consolidated annual results of the Group for the year ended 31 December 2014, together with the comparative figures for the previous year are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2014*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>REVENUE</b>	4	<b>69,877</b>	40,762
Cost of sales		<u>(61,581)</u>	<u>(38,677)</u>
Gross profit		<b>8,296</b>	2,085
Other income, other gains and losses	4	<b>40,305</b>	2,316
Operating expenses		<b>(4,570)</b>	(5,923)
Administrative expenses		<b>(13,555)</b>	(10,730)
Impairment of forest concessions		<b>(170,811)</b>	(70,000)
Impairment of prepayments, deposits and other receivables		<b>(6,004)</b>	–
Impairment of trade receivables		<b>(2,130)</b>	–
Impairment of goodwill		<b>(16,519)</b>	–
Written off of construction in progress		–	(5,000)
Written off of property, plant and equipment		–	(2,347)
Equity-settled share option expenses		–	(3,275)
Loss from operations		<b>(164,988)</b>	(92,874)
Finance costs	5	<b>(15,111)</b>	(22,279)
<b>LOSS BEFORE TAX</b>	6	<b>(180,099)</b>	(115,153)
Income tax	7	<b>(640)</b>	–
<b>LOSS FOR THE YEAR</b>		<b><u>(180,739)</u></b>	<b><u>(115,153)</u></b>
Attributable to:			
Owners of the Company		<b>(172,225)</b>	(109,167)
Non-controlling interests		<b>(8,514)</b>	(5,986)
<b>LOSS FOR THE YEAR</b>		<b><u>(180,739)</u></b>	<b><u>(115,153)</u></b>
			(restated)
<b>LOSS PER SHARE</b>			
Basic and diluted	9	<b><u>(HK\$0.47)</u></b>	<b><u>(HK\$0.53)</u></b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<b>(180,739)</b>	(115,153)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translating of financial statements of overseas subsidiaries	—	(76)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>(180,739)</u></b>	<b><u>(115,229)</u></b>
Total comprehensive loss attributable to:		
Owners of the Company	(172,225)	(109,243)
Non-controlling interests	<u>(8,514)</u>	<u>(5,986)</u>
	<b><u>(180,739)</u></b>	<b><u>(115,229)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,764	1,245
Forest concessions	10	29,000	199,811
Goodwill		34,000	6,341
Other financial asset		5,025	–
Total non-current assets		<u>72,789</u>	<u>207,397</u>
<b>Current assets</b>			
Inventories		931	–
Trade receivables	11	7,132	2,300
Loan receivables		3,220	–
Prepayments, deposits and other receivables		26,620	29,168
Cash and cash equivalents		32,207	7,895
Total current assets		<u>70,110</u>	<u>39,363</u>
<b>Total assets</b>		<u><b>142,899</b></u>	<u><b>246,760</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	12	30,643	3,859
Reserves		(17,709)	54,504
<b>Non-controlling interests</b>		<u>12,934</u>	<u>58,363</u>
		(9,472)	(1,650)
<b>Total equity</b>		<u><b>3,462</b></u>	<u><b>56,713</b></u>
<b>Non-current liabilities</b>			
Convertible bonds		87,803	–
Promissory notes		44,291	–
Finance lease obligation due more than one year		1,831	–
		<u>133,925</u>	<u>–</u>
<b>Current liabilities</b>			
Bank borrowings		206	366
Finance lease obligation due within one year		519	–
Trade payables	13	2,193	917
Other payables and accruals		1,954	1,293
Tax payable		640	–
Convertible bonds		–	187,471
Total current liabilities		<u>5,512</u>	<u>190,047</u>
<b>Total liabilities</b>		<u><b>139,437</b></u>	<u><b>190,047</b></u>
<b>Total equity and liabilities</b>		<u><b>142,899</b></u>	<u><b>246,760</b></u>
<b>Net current assets/(liabilities)</b>		<u><b>64,598</b></u>	<u><b>(150,684)</b></u>
<b>Total assets less total liabilities</b>		<u><b>3,462</b></u>	<u><b>56,713</b></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the year ended 31 December 2014*

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Equity component of convertible bonds HK\$'000	Share option reserve HK\$'000	Capital reduction reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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 year	-	-	-	-	-	-	-	(109,167)	(109,167)	(5,986)	(115,153)
Other comprehensive loss	-	-	-	-	-	-	(76)	-	(76)	-	(76)
Total comprehensive loss	-	-	-	-	-	-	(76)	(109,167)	(109,243)	(5,986)	(115,229)
Issue of rights shares	36,669	-	-	-	-	-	-	-	36,669	-	36,669
Expenses incurred in connection with issue of rights shares	-	(1,979)	-	-	-	-	-	-	(1,979)	-	(1,979)
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)	-	(47)
Issue of consideration shares	8,000	(3,400)	-	-	-	-	-	-	4,600	-	4,600
Partial redemption of convertible bonds	-	-	-	(3,450)	-	-	-	-	(3,450)	-	(3,450)
Capital reduction of issued shares	(132,931)	-	-	-	-	132,931	-	-	-	-	-
Issue of new shares upon placing	450	6,354	-	-	-	-	-	-	6,804	-	6,804
At 31 December 2013 and 1 January 2014	<u>3,859</u>	<u>708,125</u>	<u>66,710</u>	<u>25,283</u>	<u>963</u>	<u>132,931</u>	<u>(54)</u>	<u>(879,454)</u>	<u>58,363</u>	<u>(1,650)</u>	<u>56,713</u>
Changes in equity for 2014											
Loss for the year	-	-	-	-	-	-	-	(172,225)	(172,225)	(8,514)	(180,739)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	(172,225)	(172,225)	(8,514)	(180,739)
Issue of rights shares	24,514	69,298	-	-	-	-	-	-	93,812	-	93,812
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	692	692
Partial redemption of convertible bonds	-	-	-	(2,555)	-	-	-	-	(2,555)	-	(2,555)
Issue of new shares upon placing	2,270	33,269	-	-	-	-	-	-	35,539	-	35,539
At 31 December 2014	<u>30,643</u>	<u>810,692</u>	<u>66,710</u>	<u>22,728</u>	<u>963</u>	<u>132,931</u>	<u>(54)</u>	<u>(1,051,679)</u>	<u>12,934</u>	<u>(9,472)</u>	<u>3,462</u>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$17,709,000 (2013: HK\$54,504,000) in the consolidated statement of financial position.

Notes:

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and revised HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in Note 2.

The consolidated financial statements have been prepared under historical cost convention except for financial instruments which are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of over the years are included in the profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other member of Group.

All intragroup transaction balance, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 2. NEW AND REVISED HKFRSs APPLIED

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 3. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on its products and services and has four 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 money lending business segment engaged in provision of loan financing; and
- (e) the information technology business segment engaged in distributorship of information technology products and the provision of relevant technical support services.

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 year ended 31 December 2014**

<i>HK\$'000</i>	Trading business	Forestry business	Money lending business	Information Technology business	Total	Reconciliations	Group Total
Segment revenue:							
Revenue from external customers	<u>53,200</u>	<u>-</u>	<u>396</u>	<u>16,281</u>	<u>69,877</u>	<u>-</u>	<u>69,877</u>
Operating profit/(loss)	797	(128,579)	396	(17,818)	(145,204)	34	(145,170)
Interest income	-	-	-	-	-	175	175
Finance costs	-	(12,820)	-	(2,266)	(15,086)	(25)	(15,111)
Reconciled items:							
Unallocated expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,993)</u>	<u>(19,993)</u>
Profit/(loss) before tax	<u>797</u>	<u>(141,399)</u>	<u>396</u>	<u>(20,084)</u>	<u>(160,290)</u>	<u>(19,809)</u>	<u>(180,099)</u>
Impairment loss on forest concessions	-	(170,811)	-	-	(170,811)	-	(170,811)
Impairment loss on prepayment, deposits and other receivables	-	-	-	(4)	(4)	(6,000)	(6,004)
Impairment loss on trade receivables	(1,732)	-	-	(398)	(2,130)	-	(2,130)
Impairment loss on goodwill	-	-	-	(16,519)	(16,519)	-	(16,519)
Depreciation	<u>(8)</u>	<u>-</u>	<u>(2)</u>	<u>(75)</u>	<u>(85)</u>	<u>(1,156)</u>	<u>(1,241)</u>

**For the year ended 31 December 2013**

<i>HK\$'000</i>	Trading business	Forestry business	Money lending business	Information Technology business	Total	Reconciliations	Group Total
Segment revenue:							
Revenue from external customers	<u>38,038</u>	<u>-</u>	<u>-</u>	<u>2,724</u>	<u>40,762</u>	<u>-</u>	<u>40,762</u>
Operating profit/(loss)	982	(78,768)	-	(846)	(78,632)	10,034	(68,598)
Interest income	-	1	-	-	1	-	1
Finance costs	-	(22,200)	-	(79)	(22,279)	-	(22,279)
Reconciled items:							
Unallocated expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,002)</u>	<u>(21,002)</u>
Equity-settled share option expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,275)</u>	<u>(3,275)</u>
Profit/(loss) before tax	<u>982</u>	<u>(100,967)</u>	<u>-</u>	<u>(925)</u>	<u>(100,910)</u>	<u>(14,243)</u>	<u>(115,153)</u>
Impairment loss on forest concessions	-	(70,000)	-	-	(70,000)	-	(70,000)
Depreciation	<u>-</u>	<u>(4,720)</u>	<u>-</u>	<u>(6)</u>	<u>(4,726)</u>	<u>(372)</u>	<u>(5,098)</u>



### As at 31 December 2014

<i>HK\$'000</i>	Trading business	Forestry business	Plantation business	Money lending business	Information Technology business	Total	Reconciliations	Group Total
Segment assets	14,858	29,023	-	3,762	55,596	103,239	-	103,239
Reconciled items:								
Cash and cash equivalents	-	-	-	-	-	-	29,249	29,249
Unallocated assets	-	-	-	-	-	-	10,411	10,411
Total assets	<u>14,858</u>	<u>29,023</u>	<u>-</u>	<u>3,762</u>	<u>55,596</u>	<u>103,239</u>	<u>39,660</u>	<u>142,899</u>
Segment liabilities	385	84	-	9	3,882	4,360	-	4,360
Convertible bonds	-	87,803	-	-	-	87,803	-	87,803
Promissory notes	-	-	-	-	44,291	44,291	-	44,291
Reconciled items:								
Unallocated liabilities	-	-	-	-	-	-	2,983	2,983
Total liabilities	<u>385</u>	<u>87,887</u>	<u>-</u>	<u>9</u>	<u>48,173</u>	<u>136,454</u>	<u>2,983</u>	<u>139,437</u>

### As at 31 December 2013

<i>HK\$'000</i>	Trading business	Forestry business	Plantation business	Money lending business	Information Technology business	Total	Reconciliations	Group Total
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	<u>4,458</u>	<u>199,811</u>	<u>64</u>	<u>-</u>	<u>7,337</u>	<u>211,670</u>	<u>35,090</u>	<u>246,760</u>
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	<u>-</u>	<u>187,698</u>	<u>-</u>	<u>-</u>	<u>1,544</u>	<u>189,242</u>	<u>805</u>	<u>190,047</u>

## Geographical information

### (a) Revenue from external customers

	Year ended 31 December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<u>69,877</u>	<u>40,762</u>

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

### (b) Non-current assets

	As at 31 December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Indonesia	29,000	199,811
Hong Kong	<u>43,789</u>	<u>7,586</u>
	<u>72,789</u>	<u>207,397</u>

The non-current asset information above is based on the location of assets.

## Information about major customers

Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

	Year ended 31 December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A – revenue from trading business – Hong Kong	19,800	15,253
Customer B – revenue from trading business – Hong Kong	14,128	6,902
Customer C – revenue from trading business – Hong Kong	<u>–</u>	<u>5,368</u>
	<u>33,928</u>	<u>27,523</u>

#### 4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, the value of services rendered and interest income from loan financing during the year. An analysis of revenue and other income is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<u>Revenue:</u>		
Revenue from trading business	53,200	38,038
Revenue from information technology business	16,281	2,724
Revenue from money lending business	396	–
	<u>69,877</u>	<u>40,762</u>
<u>Other income, other gains and losses</u>		
Interest income on bank deposit	175	1
Gain on early redemption of convertible bonds	2,752	2,237
Gain on fair value upon extension of convertible bonds	39,480	–
Loss on early redemption of promissory notes	(388)	–
Loss on impairment of other financial asset	(1,748)	–
Sundry income	34	78
	<u>40,305</u>	<u>2,316</u>

#### 5. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest charge on convertible bonds ( <i>note 1</i> )	12,820	22,200
Interest charge on promissory notes ( <i>note 2</i> )	2,227	–
Interest charge on bank borrowings	39	79
Interest charge on finance lease obligation ( <i>note 3</i> )	25	–
	<u>15,111</u>	<u>22,279</u>

*Note:*

- (1) The charge represents the imputed interest on the liability component of the convertible bonds for the year
- (2) The charge represents the imputed interest and coupon interest 2% per annum on promissory note for the year
- (3) Interest on financing the acquisition of motor vehicles

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(a) Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	7,002	6,920
Termination expenses	–	303
Equity-settled share-option expenses	–	3,275
Pension scheme contributions	199	115
	<u>7,201</u>	<u>10,613</u>
(b) Other items:		
Auditors' remuneration		
– Audit services	628	593
Depreciation	1,241	5,098
Operating lease payments in respect of office premises	1,475	586
Loss on disposal of property, plant and equipment	15	87
Impairment of inventories	390	–
Foreign exchange loss, net	–	78
	<u>–</u>	<u>78</u>

## 7. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for both years. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Provision for the year	<u>640</u>	<u>–</u>

The tax charge for the year can be reconciled to the loss before tax using the statutory tax rate for the respective tax jurisdictions in which the Company and its subsidiaries are domiciled is:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss before tax	<u>(180,099)</u>	<u>(115,153)</u>
Tax at the applicable tax rate	(29,703)	(20,621)
Income not subject to tax	(18,797)	(5,290)
Expenses not deductible for tax purpose	47,041	19,520
Tax losses not recognised	2,096	6,391
Tax under provided	3	–
Tax charge at the Group's effective rate	<u>640</u>	<u>–</u>

## 8. DIVIDEND

No dividend has been paid or declared by the Company during the year (2013: Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<u>Loss</u>		
Loss attributable to owners of the Company used in the basic loss per share calculation	<u>(172,225)</u>	<u>(109,167)</u>
	<b>Number of shares (thousands)</b> (Represented)	
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year	<u>368,324</u>	<u>206,349</u>

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2014 and 2013 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.

## 10. FOREST CONCESSIONS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<u>Cost:</u>		
At 1 January and 31 December	<u>833,801</u>	<u>833,801</u>
<u>Accumulated amortisation:</u>		
At 1 January and at 31 December	<u>(3,990)</u>	<u>(3,990)</u>
<u>Accumulated impairment:</u>		
At 1 January	(630,000)	(560,000)
Impairment for the year	<u>(170,811)</u>	<u>(70,000)</u>
At 31 December	<u>(800,811)</u>	<u>(630,000)</u>
<u>Carrying amount:</u>		
At 31 December	<u>29,000</u>	<u>199,811</u>

Amortisation is charged on a unit of production basis over the estimated useful lives of forest concessions.

The Group acquired certain forest concessions in the Papua Province of Indonesia through acquisitions of subsidiaries. The forest concession rights cover the entire forest area of 313,500 hectares. This is a long term licence which allows logging, land clearing and plantation of oil palm trees.

In March 2015, the Company obtained an updated legal opinion and legal confirmation letter from Adi Prasetyo & Partners Law Firm, which confirmed that the location permit has been legally granted by the Head of Mimika Regency to the Company for allocation of forest areas in aggregate of 313,500 hectares, located in the Mimika Areas. The plantation business licence has been legally granted to the Company by the Governor of Papua, Indonesia. As such, the Company is legally permitted to carry out land clearing activities and to develop oil palm plantation business, including but not limited to carrying out felling, logging and harvesting of trees, and plantation activities within the Mimika Concessions Areas.

The Company commenced the process to apply to the National Land Agency for land use right to establish the right to use of land area for oil palm plantation activities according to plantation business licence or Governor Decree 35/2009. The legal opinion mentioned that as the Company has obtained all the licences and permits to carry out logging, harvesting and plantation activities, the application for land use right registration is merely a procedural matter. The land use right registration is relevant only to the plantation activities and is not required for the logging and forest clearing operations. It is expected that there will not be any legal impediment.

In 2013 and 2014, as the result of the unexpected delay of production due to communal conflicts and caused riots at the vicinity, the Group carried out a review of the recoverable amount of those concessions and related equipment. These assets are used in the Group's forestry business reportable segments. The recoverable amount of the relevant assets has been determined on the basis of their value-in-use. In addition, the Group engaged Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group, to value the fair value of the forest concessions. The fair value of the forest concessions as at 31 December 2014 was approximately HK\$29,000,000 (2013: HK\$205,000,000) based on the income based approach. The discount rate adopted was 21.06% as at 31 December 2014 (2013: 20.42%).

The review led to recognition of an impairment loss on forest concessions approximately HK\$170,811,000 which has been recognised in the profit or loss (2013: HK\$70,000,000).

## 11. TRADE RECEIVABLES

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	<u>7,132</u>	<u>2,300</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures established to monitor credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	3,207	299
31 to 60 days	2	–
61 to 120 days	2,468	325
Over 120 days	<u>1,455</u>	<u>1,676</u>
	<u>7,132</u>	<u>2,300</u>

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Not impaired	<u>7,132</u>	<u>2,300</u>

Receivables that were not impaired relate to customers for whom there were no recent history of default. The Group does not hold any collateral over these balances.



## 12. SHARE CAPITAL

		Company	
	Notes	Number of shares '000	Nominal values HK\$'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 each			
As at 1 January 2013		20,000,000	200,000
Share consolidation	<i>a</i>	<u>(19,500,000)</u>	<u>–</u>
Ordinary shares of HK\$0.4 each		500,000	200,000
Share sub-division	<i>b(i)</i>	<u>19,500,000</u>	<u>–</u>
As at 31 December 2013 and 1 January 2014			
Ordinary shares of HK\$0.01 each		20,000,000	200,000
Share consolidation	<i>j</i>	<u>(17,500,000)</u>	<u>–</u>
As at 31 December 2014, ordinary shares of HK\$0.08 each		<u>2,500,000</u>	<u>200,000</u>
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.01 each			
As at 1 January 2013		8,578,649	85,786
Issue of shares upon exercise of share option	<i>c</i>	<u>588,500</u>	<u>5,885</u>
Ordinary shares of HK\$0.01 each		9,167,149	91,671
Share consolidation	<i>a</i>	<u>(8,937,970)</u>	<u>–</u>
Ordinary shares of HK\$0.4 each		229,179	91,671
Issue of rights shares	<i>d</i>	91,671	36,669
Issue of consideration shares	<i>e</i>	<u>20,000</u>	<u>8,000</u>
Ordinary shares of HK\$0.4 each		340,850	136,340
Capital reduction	<i>b(ii)</i>	<u>–</u>	<u>(132,931)</u>
Ordinary shares of HK\$0.01 each		340,850	3,409
Issue of shares under general mandate	<i>f</i>	<u>45,000</u>	<u>450</u>
As at 31 December 2013		385,850	3,859
Issue of shares under specific mandate	<i>g</i>	150,000	1,500
Issue of shares under general mandate	<i>h</i>	77,000	770
Issue of rights shares	<i>i</i>	<u>2,451,401</u>	<u>24,514</u>
Ordinary shares of HK\$0.01 each		3,064,251	30,643
Share consolidation	<i>j</i>	<u>(2,681,220)</u>	<u>–</u>
As at 31 December 2014, ordinary shares of HK\$0.08 each		<u>383,031</u>	<u>30,643</u>

- (a) On 20 February 2013, the Company proposed to effect the share consolidation which became effective on 25 March 2013 being approved by the shareholders that every forty existing shares of HK\$0.01 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK\$0.4 each (“Share Consolidation”).
- (b) On 11 July 2013, the Company proposed to effect the capital reorganisation which became effective on 25 November 2013 being approved by the shareholders (“Capital Reorganisation”). The Capital Reorganisation involved the following:
  - (i) each authorised but unissued share of the Company was sub-divided into forty shares so that the nominal value of each unissued share was reduced from HK\$0.4 to HK\$0.01 each (“Share Sub-division”); and
  - (ii) the paid up capital of each issued share was reduced from HK\$0.4 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.39 so as to form a new share with nominal value of HK\$0.01 each (“Capital Reduction”).
- (c) For the year ended 31 December 2013, 588,500,000 shares were issued upon exercise of share options. Total proceeds were HK\$5,885,000. The weighted average share price at the time of exercise was HK\$0.01 per share.
- (d) On 17 July 2013, the Company issued rights shares on the basis of two right shares for every five existing share held on 21 June 2013, at the subscription price of HK\$0.4 per rights shares with nominal value of HK\$0.4 each, resulting in net proceeds of approximately HK\$35 million, which would be used for general working capital, including but not limited to development of the information technologies business and the expansion of the Company’s existing trading business.
- (e) On 2 May 2013, End User Technology Limited, an indirect wholly owned subsidiary of the Company, entered into an agreement with the vendor for the purchase of 100% of the issued share capital of Quasicom Systems Limited at a consideration of HK\$8,000,000, which should be satisfied by the allotment and issuance of 20,000,000 ordinary shares of the Company under the general mandate granted at the annual general meeting of the Company on 3 May 2012. The fair value of the issue price of the shares, HK\$0.23 per share, was determined with reference to the prevailing market price of the shares. The shares were allotted and issued in July 2013.
- (f) On 6 December 2013, the Company entered into a General Mandate (“GM”) placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, a total of 45,000,000 placing shares to not less than six places at a price of HK\$0.156 per GM placing share. The aggregate nominal value of the placing shares under the GM placing agreement was approximately HK\$450,000. The net proceeds from GM Placing Shares would be used for expansions of the trading business and the information technology business, including but not limited to the exploration of the opportunities in investing in and/or developing online games, mobile games and financial services related software, as well as for strengthening the general working capital base of the Company.

- (g) On 6 December 2013, the Company entered into a Specific Mandate (“SM”) placing agreement with a placing agent whereby the Company conditionally agreed to place through the placing agent, on a fully underwritten basis, a total of 150,000,000 placing shares to not less than six placees at a price of HK\$0.156 per SM placing share. The aggregate nominal value of the placing shares under the SM placing agreement was approximately HK\$1,500,000. The net proceeds from SM Placing Shares would be used for expansions of the trading business and the information technology business, as well as for strengthening the general working capital base of the Company.
- (h) On 21 February 2014, the Company entered into a General Mandate (“GM”) placing agreement with a placing agent whereby the Company conditionally agreed to place through the placing agent, on a fully underwritten basis, a total of 77,000,000 placing shares to not less than six placees at a price of HK\$0.171 per GM placing share. The aggregate nominal value of the placing shares under the GM placing agreement was approximately HK\$770,000. The net proceeds from GM Placing Shares would be used for strengthening the general working capital to finance the business development and to finance any future investment opportunities of the Company.
- (i) On 23 July 2014, the Company issued rights shares on the basis of four rights shares for every one existing share held on 11 April 2014, at the subscription price of HK\$0.04 per rights share with nominal value of HK\$0.04 each, resulting in net proceeds of approximately HK\$93,560,000 million, which would be used for the partial redemption of the convertible bonds and for strengthening the general working capital base of the Company to finance its business development and any future investment opportunities.
- (j) On 3 September 2014, the Company proposed a share consolidation which became effective on 26 September 2014 being approved by the shareholders that every eight existing shares of HK\$0.01 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK\$0.08 each (“Share Consolidation”).

### 13. TRADE PAYABLES

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

	<b>2014</b>	2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>597</b>	277
31 to 60 days	–	43
61 to 120 days	<b>53</b>	365
Over 120 days	<b>1,543</b>	232
	<b><u>2,193</u></b>	<u>917</u>

## FINANCIAL REVIEW

### Highlights on financial results

<i>(HK\$'000, except percentage figures)</i>	Year ended 31 December	
	2014	2013
Revenue	<b>69,877</b>	40,762
Gross profit	<b>8,296</b>	2,085
Gross profit margin	<b>11.9%</b>	5.1%
Operating expenses	<b>(4,570)</b>	(5,923)
Administrative expenses	<b>(13,555)</b>	(10,730)
Non-cash items:		
Depreciation*	<b>(1,241)</b>	(5,098)
Impairment of inventories	<b>(390)</b>	–
Written off of property, plant and equipment	–	(2,347)
Written off of construction in progress	–	(5,000)
Impairment of other financial asset	<b>(1,748)</b>	–
Impairment of prepayments, deposits and other receivables	<b>(6,004)</b>	–
Impairment of forest concessions	<b>(170,811)</b>	(70,000)
Impairment of trade receivables	<b>(2,130)</b>	–
Impairment of goodwill	<b>(16,519)</b>	–
Equity-settled share option expenses	–	(3,275)
Gain on fair value upon extension of convertible bonds	<b>39,480</b>	–
Gain on convertible bonds repayment	<b>2,752</b>	–
Loss on promissory note repayment	<b>(388)</b>	–
Finance costs of convertible bonds and promissory note	<b>(15,047)</b>	(22,279)
Loss for the year	<b>(180,739)</b>	(115,153)
Profit/(Loss) excluding non-cash items**	<b>(8,693)</b>	(7,154)

\* *In 2014 and 2013, all of the depreciation were included in the operating and administrative expenses.*

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

## **Discussion on financial results**

Revenue of the Group for the year ended 31 December 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 Year 2013 was generated from trading of agricultural-related products and dairy products, and the new IT business which was acquired in the second half of Year 2013. The revenue increased by approximately HK\$29,115,000 to approximately HK\$69,877,000 on a year-on-year basis. Revenue of trading business amounted approximately to HK\$53,200,000 which represented surge of revenue approximately HK\$15,162,000 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 which turnover grew stronger in the second half of the year, and dairy products which was introduced since the second quarter of last year. Revenue from IT business increased by approximately HK\$13,557,000 to approximately HK\$16,281,000 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 the first half of this year by Quasicom Systems Limited since acquisition in the second half of Year 2013. The newly introduced money lending business also contributed revenue approximately HK\$396,000. Since the commencement of business in the second quarter of the year.

Gross profit for the year increased to approximately HK\$8,296,000 from a year ago of approximately HK\$2,085,000. The increase was mainly contributed by relatively higher volume of turnover and gross profit margin derived from the trading business and information technology business.

The operating expenses for the year was approximately HK\$4,570,000 which was decreased from a year ago of approximately HK\$5,923,000. The decrease was the net result of the decrease in expenditure in Indonesia since downsizing in operation in 2013 and the increase of expenditure resulted from increased business activities in Hong Kong.

Administrative expenses for the year 2014 increased by approximately HK\$2,825,000 to approximately HK\$13,555,000 from year 2013 represented more resources utilized along with increased business activities.

During the year ended 31 December 2014, depreciation decreased to approximately HK\$1,241,000 from approximately HK\$5,098,000 for the year 2013 represented the result benefited from some high cost property, plant and equipment written off in 2013.

During the year 2014, the Group impaired inventories of beauty products of approximately HK\$390,000 representing stock loss. Impairment of other financial asset approximately HK\$1,748,000 represented the difference of the carrying amount of the profit guarantee component of the consideration for the very substantial acquisition of the Ever Hero Group and the shortfall of profit before tax for the year 2014 of Ever Hero Group's subsidiary, Netgenii Technology Limited.

During the year impairment of prepayments, deposits and other receivables of approximately HK\$6,004,000 mainly of the prepayments in relation to tailing projects of tailings in the Papua Province of Indonesia.

The postponement of the Group's forestry project to further later years and lower market prices for timber products led to the impairment of approximately HK\$170,811,000 to the forest concessions for the year which was much higher than last year 2013 by approximately HK\$100,811,000. Impairment of trade receivables was made of approximately HK\$2,130,000 in relation to agricultural-related debtors of approximately HK\$1,732,000 and information technology debtors of approximately HK\$398,000. Impairment of goodwill of approximately HK\$16,519,000 related to goodwill of subsidiaries of information technology business.

Finance costs represented the non-cash imputed interest charged in the liability component of the Group's zero coupon convertible bonds and the non-cash imputed interest and 2% coupon of promissory note. The cost decreased by approximately HK\$7,232,000 in 2014 from approximately HK\$22,279,000 in 2013, which was mainly contributed by the decrease in average balance of the liability component when certain convertible bonds were redeemed during the year.

During this year, the Group did not grant and forfeit any share options therefore not recognised and wrote back any share option expense whereas in last year 2013 approximately HK\$3,275,000 share option expenses were recorded represented the grant of 595,000,000 share options under the share option scheme of the Company of approximately HK\$3,322,000 and 4,000,000 share options were lapsed of approximately HK\$47,000.

During the year, the Group recognised a one-off 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, and loss on early repayment of promissory note of approximately HK\$388,000.

## Analysis by business segment

<i>(HK\$'000)</i>	Revenue		Profit/(loss) before tax	
	Year ended 31 December			
	2014	2013	2014	2013
Trading business	<b>53,200</b>	38,038	<b>797</b>	982
Information technology business	<b>16,281</b>	2,724	<b>(20,084)</b>	(925)
Forestry business	–	–	<b>(141,399)</b>	(100,967)
Money lending business	<b>396</b>	–	<b>396</b>	–
Total	<b><u>69,877</u></b>	<u>40,762</u>	<b><u>(160,290)</u></b>	<u>(100,910)</u>

Revenue from our trading business increased by 39.86% from approximately HK\$38,038,000 in 2013 to approximately HK\$53,200,000 in 2014, as the Group strived to grow the trading business which provided a stable source of revenue.

After the successful acquisition of Ever Hero Group in the second quarter of this year, revenue relating to information technology business grew much stronger by an increase of approximately HK\$13,557,000 since a year ago.

Since 2012, no revenue was recorded from the Group's forestry business.

Compared to 2013, loss before tax for the forestry business in 2014 increased which was mainly due to the impairments related to the forest concessions. For information technology business, the loss before tax for the year was higher than a year ago of approximately HK\$19,159,000. The increase was mainly due to impairment losses on goodwill of approximately HK\$16,519,000, impairment loss on other financial assets of approximately HK\$1,748,000 and loss on promissory note repayment of approximately HK\$388,000.

## Analysis by geographical segment

<i>(HK\$'000, except percentage figures)</i>	Year ended 31 December			
	2014		2013	
	Revenue	Proportion	Revenue	Proportion
Hong Kong	<b><u>69,877</u></b>	<b><u>100%</u></b>	<u>40,762</u>	<u>100%</u>

All the Group's revenue was derived from Hong Kong in 2014 and 2013.



## Highlights on financial position

<i>(HK\$'000, except percentage figures)</i>	As at 31 December	
	2014	2013
Property, plant and equipment	4,764	1,245
Forest concessions	29,000	199,811
Other Financing asset	5,025	–
Trade receivables	7,132	2,300
Loan receivables	3,220	–
Cash and cash equivalents	32,207	7,895
Convertible bonds – liability component	(87,803)	(187,471)
Non-controlling interests	(9,472)	(1,650)
Equity attributable to owners of the Company	12,934	58,363

## Discussion on financial position

Property, plant and equipment increased to approximately HK\$4,764,000 as at 31 December 2014 from a year ago of approximately HK\$1,245,000. The increase was mainly due to additional acquisition during the year with cost of approximately HK\$4,775,000 net off depreciation of approximately HK\$1,241,000.

Forest concessions decreased to approximately HK\$29,000,000 as at 31 December 2014 from approximately HK\$199,811,000 as at 31 December 2013. The decrease was due to impairment loss made to reflect the worsening environment in Timika where the forest concessions situate that required more provision for loss on its value to the Group.

Other financial asset of approximately HK\$5,025,000 being the carrying amount as at 31 December 2014 of the profit guarantee component of the total consideration for the very substantial acquisition of the Ever Hero Group during the year.

Trade receivables increased by approximately HK\$4,832,000 during the year which was mainly attributable to information technology business.

Cash and cash equivalents increased significantly by 407.94% to approximately HK\$32,207,000 as at 31 December 2014 from approximately HK\$7,895,000 of a year ago. The increase was partly caused by the fund raising activities of the Group and partly caused by the net cash inflow from operation.

The liability component of the convertible bonds significantly decreased by 53.16% to approximately HK\$87,803,000 as at 31 December 2014 from approximately HK\$187,471,000 as at 31 December 2013 which was mainly contributed by partial redemption and fair value change upon extension during the year.

Non-controlling interests decreased to approximately HK\$(9,472,000) as at 31 December 2014 from approximately HK\$(1,650,000) as at 31 December 2013. The decrease was mainly due to the sharing of loss on impairment related to the forest concessions in our non-wholly owned Indonesian subsidiaries by their non-controlling shareholders for 2014.

The Group's equity attributable to owners decreased significantly of approximately HK\$45,429,000 during the year which was mainly due to higher loss for the year caused by extraordinary non-cash expenditure on impairment losses.

### Capital structure and gearing ratio

	Year ended 31 December			
	2014		2013	
	<i>HK\$'000</i>	<i>Proportion</i>	<i>HK\$'000</i>	<i>Proportion</i>
Total borrowings				
– Bank borrowings	<b>206</b>	<b>0.14%</b>	366	0.14%
– Convertible bonds (liability component)	<b>87,803</b>	<b>59.50%</b>	187,471	76.15%
– Finance lease obligation	<b>2,350</b>	<b>1.59%</b>	–	–
– Promissory note	<b>44,291</b>	<b>30.01%</b>	–	–
	<b>134,650</b>	<b>91.24%</b>	187,837	76.29%
Equity attributable to owners of the company	<b>12,934</b>	<b>8.76%</b>	58,363	23.71%
Total capital employed	<b>147,584</b>	<b>100%</b>	246,200	100%

The Group's gearing ratio was approximately 91.24% as at 31 December 2014 (2013: 76.29%). The increase was mainly due to the increase in financing the very substantial acquisition by the issue of promissory note in the second quarter of the year and the decrease in equity attributable to owners of the company for the year.

As at 31 December 2014, the Group's outstanding bank borrowing amount was approximately HK\$206,000 (2013: HK\$366,000) because of the expansion into the information technology business in the year 2013.

The outstanding principal of the convertible bonds amounted to approximately HK\$124,068,000 as at 31 December 2014 (2013: HK\$197,880,000). Its maturity date is 12 August 2017 and the effective interest rate of the liability component is approximately 14.13%.

The outstanding principal of the promissory note amounted to approximately HK\$48,600,000 as at 31 December 2014 (2013: Nil), it carries 2% interest per annum, and its maturity falls on the third anniversary by the date of issue on 4 April 2014.

### Liquidity and financial resources

<i>(HK\$'000)</i>	As at 31 December	
	2014	2013
Current assets	70,110	39,363
Current liabilities	<u>5,512</u>	<u>190,047</u>
Current ratio	<u>1,271.95%</u>	<u>20.71%</u>

The current ratio of the Group as at 31 December 2014 was 1,271.95% (2013: 20.71%), the increase was mainly contributed by the classification of the convertible bonds from current liabilities in the year ago to non-current liabilities in this year upon extension of maturity for three years to 12 August 2017 and stronger cash and cash equivalents position.

As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately HK\$32,207,000 (2013: HK\$7,895,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 31 December 2014 and 2013. As at 31 December 2014, about 96% (2013: 93.0%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 96% (2013: 91%) were denominated in Hong Kong dollars.

### Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2014 and 2013, most of the Group's transactions were denominated in Hong Kong dollars ("HK\$") and United States dollars ("US\$"), to which HK\$ is pegged. The Group had exposure to the risk of exchange rate fluctuations for Rupiah on account of its cost of forestry and plantation operations in Indonesia. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

## **Contingent liabilities**

As at 31 December 2014, the Group did not have any significant contingent liabilities.

## **Acquisition and disposal of subsidiaries and affiliated companies**

Details of acquisition and disposal of subsidiaries during the year ended 31 December 2014 are disclosed in the notes to the financial statements of the annual report of the Company. Except the acquisition of the 100% shareholdings in Ever Hero Group, the Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2014.

## **Significant investments**

The Group did not acquire or hold any significant investment during the year ended 31 December 2014 and 2013.

## **Pledge of assets**

As at 31 December 2014 the Group has pledged its motor vehicles in financing the acquisition whereas as at 31 December 2013, the Group did not have any pledged deposits and assets.

## **Capital commitments**

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

## **Employees and remuneration policy**

As at 31 December 2014, the Group employed 25 staff (2013: 30). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. As at 31 December 2014, after adjustment made because of the rights issue on 22 July 2014 and share consolidation effective 26 September 2014, there were outstanding share options of 256,488 (2013: 1,697,948).

## **Events after the reporting period**

- 1) On 22 January 2015, the Company announced that a writ of summons was issued in the Court of First Instance of the High Court of Hong Kong by Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited, an indirect wholly-owned subsidiary of the Company, as the 1st Defendant; (ii) the Company, as the 2nd Defendant; and (iii) Lau Chi Yan Pierre, the managing director and executive director of the Company, as the 3rd Defendant for, inter alia, (1) specific performance of an agreement dated 2 May 2013 in relation to a discloseable transaction of the Company (details of which were disclosed in the announcement of the Company dated 2 May 2013); or (2) alternatively, the damages in the sum of HK\$8,000,000 in lieu of specific performance; and (3) the interest; (4) further and/or other relief; and (5) the costs. The Company have instructed legal representative to handle the matter, and was advised that the claim does not have merits as the agreement had been duly and completely performed. The Company is considering applying for striking out the claim, subject to further legal advice.
- 2) On 19 March 2015, the Company partially redeemed HK\$10 million of the Promissory Note at a cash consideration of HK\$10 million paid to Hero Win Development Limited, the holder of the Promissory Note (the “Redemption”). Accordingly, at completion of the Redemption, HK\$38.6 million of the Promissory Note remain outstanding.
- 3) On 25 August 2014, the Company proposed to effect the capital reorganisation which became effective on 6 January 2015 (“Capital Reorganisation”). The Capital Reorganisation involved the following:
  - (i) each authorised but unissued share of the Company was sub-divided into eighty shares so that the nominal value of each unissued share was reduced from HK\$0.08 to HK\$0.001 each (“Share Sub-division”); and
  - (ii) the paid up capital of each issued share was reduced from HK\$0.08 to HK\$0.001 by cancelling the paid up capital to the extent of HK\$0.079 so as to form a new share with nominal value of HK\$0.001 each (“Capital Reduction”).

## **FINAL DIVIDEND**

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2014.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 31 December 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 ( <i>note</i> )	32,998,438	8.62
Lau Chi Yan, Pierre	1,328,125	–	1,309,125	0.35

*Note:*

These shares are interest of a controlled corporation, Ivana Investments Limited ("Ivana"), which is wholly owned by Mr. Cheung Wai Yin, Wilson.

(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 <i>HK\$</i>	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 <i>HK\$</i>	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 31 December 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” and “Share Option Scheme” above, at no time during the year ended 31 December 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 31 December 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:**

<b>Name of shareholders</b>	<b>Capacity and nature of interest</b>	<b>Number of the shares interested</b>	<b>Approximate percentage of the total issued share capital of the Company (%)</b>
Ivana	Directly beneficially owned	32,812,500	8.57

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

<b>Name of the holder of the convertible bonds</b>	<b>Principal amount of the convertible bonds HK\$</b>	<b>Number of the total underlying shares</b>	<b>Approximate percentage of the total issued share capital of the Company (%)</b>
Ivana	110,000,000	287,619,048	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).

## **SHARE OPTION SCHEME**

The share option scheme of the Company (the “Share Option Scheme”) was adopted by the shareholders of the Company in the annual general meeting of the Company held on 3 May 2012 and was effective from that date. 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 31 December 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 0.067% and 0.067% of the total issued share capital of the Company as at 31 December 2014 and the date of this announcement respectively.

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

Name or category of the participants	Number of share options					Outstanding as at 31 December 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) per share	Original exercise price of the share options (Note 1) per share	Adjusted exercise price of the share options after share consolidation and rights issue (Note 1) per share
	Outstanding as at 1 January 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)						
<b>Non-executive director</b>											
Wong Chi Man	59,230	-	-	-	(50,282)	8,948	17/1/2013	17/1/2013-16/1/2023	0.01	0.01	3.36
<b>Independent non-executive director</b>											
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
<b>Employees and other eligible participants</b>											
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
	<u>1,697,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,441,460)</u>	<u>256,488</u>					

*Notes:*

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital. As a result of the 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 this announcement, no other share options were exercised subsequent to the balance sheet date.

During the year ended 31 December 2014, no share options were granted by the Company.

The fair value of the share options granted during the period for the year ended 31 December 2014 was HK\$Nil (2013: HK\$3,322,000) of which the Group recognised a share option expense of approximately HK\$Nil (2013: HK\$3,322,000) during the period.

No other feature of the share options granted was incorporated into the measurement of fair value.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has always recognised the importance of the transparency and accountability to shareholders of the Company (the “Shareholders”). It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders. Throughout the year ended 31 December 2014, the Board has reviewed the Group’s corporate governance practices and is satisfied that the Company has complied with the code provisions under the Corporate Governance Code (the “Code”) set out in Appendix 15 to the GEM Listing Rules, except for the following deviations from the code provisions of the Code:

### **Code Provision A.2.1**

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

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

Mr. Cheung Wai Yin, Wilson currently assumes the roles of both the chairman and chief executive officer of the Company. Traditionally, the chief executive officer of the Company also assumes the role of the chairman of the Company because it is believed that the structure of the Board ensures the balance of power and authority therefore no need to segregate the roles of the chairman and chief executive officer of the Company. Mr. Cheung has substantial experience that is essential to fulfilling the role of the chairman of the Company at the same time, Mr. Cheung 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 currently 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 other individuals. The balance of power and authority is therefore ensured by the current structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board, as well as the Company, intends to comply with this Code Provision by seeking and appointing suitable candidate with appropriate background, acknowledge, experience and calibre to assume the role as the chairman of the Company.

## **Code Provision A.4.2**

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

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

The Board considers that the Company is in compliance with paragraph 4(2) of Appendix 3 under the GEM Listing Rules and such a deviation is not material as casual vacancy is expected seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

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

## **Model Code for Securities Transactions by the Directors**

The Company has not adopted a code of conduct nor established written guidelines regarding the securities transactions by the directors and relevant employees of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 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 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 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 three INEDs, namely Mr. Ng Kay Kwok, Ms. Yeung Mo Sheung, Ann 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 give advice on the Board’s strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 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.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY**

Each of the INEDs of the Company has filed a written confirmation to the Company confirming his independence pursuant to Rule 5.09 of the GEM Listing Rules and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. As at the date of this announcement, the INEDs of the Company are still considered to be independent. All of the INEDs of the Company are appointed for a term of one year and they are subject to retirement by rotation and re-election at the AGM in accordance with the articles of association of the Company.

## **THE COMPANY SECRETARY**

The Company has appointed and employed, on a full time basis, Mr. Lai Yau Hong, Thomson, as company secretary. He is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is an individual who, by virtue of his professional qualifications and relevant experience, is, in the opinion of the Board, capable of discharging the functions of company secretary. During the year ended 31 December 2014, the company secretary has taken over 15 hours of relevant professional training.

The company secretary of the Company is responsible not just for taking minutes of the Board's meetings but also for supporting the board by ensuring good information flow within the Board and that board policy and procedures are followed and for advising the Board through the Chairman and the Chief Executive Officer on governance matters and also for facilitating induction and professional development of directors.

The company secretary reports to the Chairman of the Board and the Chief Executive Officer while all directors have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

A physical board meeting is required to be held to discuss and approve any change in the company secretary.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2014.

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

The results announcement of the Company for the year ended 31 December 2014 will be published and remains on the website of the Company at <http://www.merdeka.com.hk> and will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its publication. The Company’s annual report and corporate governance report will be despatched to the Shareholders and made available on the websites of the Company and the Stock Exchange on or before 31 March 2015.

## **ANNUAL GENERAL MEETING**

The notice of the 2015 AGM of the Shareholders will be published and despatched to the Shareholders in the manner as required by the GEM Listing Rules in due course.

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

Hong Kong, 31 March 2015

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

*Executive Directors:*

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

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

*Non-executive Director:*

Mr. Wong Chi Man

*Independent Non-executive Directors:*

Ms. Yeung Mo Sheung, Ann

Mr. Ng Kay Kwok

Mr. Yip Kat Kong, Kenneth

*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>.*