



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

INTERIM REPORT 2015
二零一五年中期報告

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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

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

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

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本報告乃遵照《聯交所創業板證券上市規則》(「《創業板上市規則》」)的規定而刊載，旨在提供有關Merdeka 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。

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2015, Merdeka Mobile Group Limited (the "Company") and its subsidiaries (the "Group") continued to engage in forestry, 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 and the financial leasing business. Our production and operation in forestry and plantation was suspended due to the unstable investment environment in Timika, Indonesia, the trading business, the money lending business and the leasing business continued to grow healthily and the information technology business remained challenging.

OPERATION REVIEW

Regarding the forestry project of the Group, the Board considers that the resumption of operation remained suspended during the period under review. As a result, 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 period, the Group suffered loss from its existing business, however, the gross profit margin has been continuously improving as compared to the corresponding period of the year 2014.

In reviewing its trading outlet's tenancy in Kwun Tong, the Group decided to remove it to Sheung Shui, at where, it is nearer to its customers. Besides, the variety of the products trading was enlarged during the period under review from milk powder and beauty products to confectioneries and pharmacy products. The Group had also commenced sourcing locally and from Japan and other Asia countries in respect of the confectioneries. As such the Group is applying a registration as food importer/food distributor under the Food Safety Ordinance.

The Group is looking forward to the exploding mobile and cloud technology market, value of which is growing tremendously with relatively low barriers to entry. After acquiring 60% shareholding interests of Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司) and as it is developing its mobile and the cloud-based city Wi-Fi application software, and with complimentary benefits from Ever Hero group and leveraging on its reputation and experiences, these possible investments are in line with the Group's business development plans as it is consolidating different acquired entities into a single stream of income.

While focusing on its existing business, it is part of the business strategy of the Group to seek for new investments when opportunities arise. 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 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.

OPERATION REVIEW (*continued*)

Following the completion of the acquisition of Blossom Height Ventures Limited, as 恒河融资租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited*) ("Heng He") has been generating profits in the year of 2014, this acquisition also contribute profit to the Group during the period under review. During the period under review, Heng He had concluded two financial leasing contracts in the aggregate amount of RMB370 million.

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 People's Republic of China ("PRC") through a direct working capital injection, and subsequently to enjoy the benefits of the capital leverage in Heng He.

The Company on 8 May 2015 (after trading hours), entered into an underwriting agreement with Pacific Foundation Securities Limited in relation to the underwriting and certain other arrangements in respect of the open offer (the "Open Offer") on the basis of 2 offer shares for every 1 share in issue and held on the record date at the subscription price of HK\$0.09 each. The estimated net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$66.22 million (assuming no outstanding share options and no rights attaching to the convertible bonds are subscribed or exercised on or before the Record Date) will be used (i) as to not less than 80% for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business; and (ii) the remaining for the general working capital of the Group.

On 6 July 2015, the resolution, in respect of the Open Offer, was duly passed by the Independent Shareholders by way of poll during the extraordinary general meeting of the Company.

FINANCIAL REVIEW

In the first half of this year 2015, the Group earned revenue mainly from trading business, information technology business and money lending business.

Revenue of the group for the first half of this year was approximately HK\$39,322,000, representing an increase of approximately 27.66%, HK\$8,519,000 on a year-over-year basis. Revenue from trading business increased dramatically approximately 42.89% to approximately HK\$35,060,000 compared to the same period of last year. Revenue generated from trading of dairy products of approximately HK\$15,463,000 which was approximately HK\$8,545,000 less than the same period of last year. On the other hand, since the Group in the first quarter expanded to generate revenue from trading of other products, such as pharmacy products, confectioneries and daily consumables, these products contributed very much of approximately HK\$11,263,000 in the second quarter, approximately HK\$12,584,000 for the first half of this year. Also, the Group continued to earn revenue from trading of beauty products of approximately HK\$5,158,000 in the second quarter, approximately HK\$7,013,000 for the first half of this year which was about 1228.22% increase on a year-over-year basis.

Revenue of information technology business for the first half of this year decreased approximately 40.36% to approximately HK\$3,722,000 on a year-over-year basis. The decrease was mainly due to lack of revenue contribution from one of the subsidiaries under information technology business segment, however, revenue of the second quarter increased about 216.33% over the first quarter of this year.

* For identification purposes only

FINANCIAL REVIEW *(continued)*

In the second quarter, the Group started a business, categorised as other business to provide training courses which generated revenue about HK\$149,000.

Gross profit for the first half of this year was approximately HK\$3,454,000, representing an increase of approximately 91.04% on a year-over-year basis. Gross Profit margin for the first half of this year was approximately 8.78%, which was approximately 49.57% over the same period of last year. The increase was contributed by overall increase in gross profit generated from diversified trading products.

Other income and other net gains and losses for the first half of this year recorded a loss of approximately HK\$2,460,000 which was primarily due to the loss recognition on partial repayment of a promissory note.

In the second quarter, the Group completed an acquisition of a subsidiary, Blossom Height Ventures Limited, and its subsidiaries, and recognised therefrom a gain from bargain purchase arising from acquisition of approximately HK\$2,139,000. From this newly acquired subsidiary, the Group started to recognise the sharing of profits generated from indirect shareholdings in an associate of approximately HK\$2,048,000.

Finance costs for the first half of this year was approximately HK\$7,694,000, which was approximately 25.10% less than the same period for a year ago. The reduction was mainly contributed by partial repayment of outstanding principal of convertible bonds made in last year and early partial repayment of outstanding principal of promissory notes.

FUND RAISING ACTIVITIES OF THE COMPANY

During the year ended 31 December 2014 and up to the date of this report, the Company has carried out the following fund raising activities:

Date of announcement	Completion date	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
6 December 2013	30 January 2014	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	3 March 2014	Placing of new Shares under general mandate	HK\$12.56 million	For general working capital to finance its business development and/or to finance any future investment opportunities	Approximately HK\$6 million has been used for the expansions of trading business; approximately HK\$2 million for the information technology business; and approximately HK\$4.56 million has been used for general working capital

FUND RAISING ACTIVITIES OF THE COMPANY *(continued)*

Date of announcement	Completion date	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
11 April 2014	24 July 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\$5.00 million has been used for the expansion of information technology business; approximately HK\$10.00 million has been used for the expansion of trading business; approximately HK\$8.00 million has been used for the expansion of money lending business; approximately HK\$6.75 million has been used as general working capital and the remaining is deposited in bank

CONTINUING CONNECTED TRANSACTION

As disclosed in the Company's announcement dated 7 February 2014 and the circular dated 13 March 2014, in accordance with the acquisition agreement in relation to, inter alia, the acquisition of 100% issued share capital of Ever Hero Group Limited, on 21 February 2014, Netgenii Technology Limited as lender and Mr. Kong Lung Cheung, Jeff as borrower entered into a loan agreement pursuant to which the borrower would have agreed to repay to the lender the principal sum amount of HK\$12,488,407 for a term of one calendar year commencing from 4 April 2014. The loan was non-interest bearing. The entering into of the loan agreement and the transactions contemplated thereunder constitute a non-exempt continuing connected transactions of the Company under Rule 20.35 of the GEM Listing Rules.

During the period under review, the principal amount of the loan by Mr. Kong Lung Cheung, Jeff was fully settled.

The board of directors of the Company including all the independent non-executive directors have reviewed the continuing connected transactions set out above and have unanimously confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the HKICPA. The Company's auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

COMPLETION OF VERY SUBSTANTIAL ACQUISITION

All the conditions precedent to the acquisition of the entire issued share capital of Blossom Height Ventures Limited ("Blossom Height") have been fulfilled and the completion took place on 21 April 2015. As a result of the completion, the Company issued the promissory note in the principal sum of HK\$32 million and the convertible bonds in the principal amount of HK\$40 million to the vendor, Yihua Enterprises Limited, as the Consideration.

Following the Completion, Blossom Height has become an indirect wholly-owned subsidiary of the Company and the financial results of it together with its subsidiaries will be consolidated into the accounts of the Group (in which Heng He is accounted for using equity method).

PROMISSORY NOTES

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 19 March 2015 and 20 April 2015, the Company has partially redeemed each HK\$10 million of the promissory note at a cash consideration respectively of each HK\$10 million paid/payable to Hero Win Development Limited, the holder of the promissory note. As a results, the total amount of outstanding promissory note is HK\$28,600,000 at the end of this report period.

Following the completion of the acquisition of the Blossom Height Ventures Limited on 21 April 2015, 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. The total amount of outstanding promissory note is HK\$32,000,000 at the end of this report period.

PROFIT GUARANTEE IN RESPECT OF THE ACQUISITION OF 100% ISSUED SHARE CAPITAL OF EVER HERO GROUP LIMITED

On 4 April 2014, the Group completed the acquisition of the entire issued capital of Ever Hero Group Limited which is primarily engaged in providing information technology solution, web content development, and enterprise system maintenance services and in accordance with the terms of the relevant acquisition agreement dated 6 September 2012, the Vendor has given to and for the benefit of the Purchaser a profit guarantee of not less than HK\$5,000,000 and HK\$8,000,000 of net profit before taxation and before extraordinary items for the years ending 31 December 2013 and 2014 respectively.

As confirmed by the auditor of the Company, the recorded actual profit before taxation and before extraordinary items of the Ever Hero Group exceeded the Guaranteed Profit for the year ended 30 September 2013 and the Guarantee Certificate has been received by the Company.

However, as confirmed by the auditor of the Company, with Guarantee Certificate received, the recorded actual profit before taxation and before extraordinary items of the Ever Hero Group was HK\$2,975,586, and thus, was failed to meet the 2014 profit guarantee which is due to the unexpected market conditions in 2014 and the longer-than-expected project cycle of the customers as well as facing keen market competition.

As the Profit Guarantee has not been met, the amount payable by the Purchaser on redemption of the promissory note shall be reduced on a dollar for dollar basis by the amount for HK\$5,024,414 for the year ended 31 December 2014. The Group is in the process of liaising with the Vendor on the reduction and will update the shareholders on the total outstanding amount of promissory note after deducing the shortfall of the Profit Guarantee by separate announcement in due course.

OPEN OFFER

The Company on 8 May 2015 (after trading hours), entered into an underwriting agreement with Pacific Foundation Securities Limited in relation to the underwriting and certain other arrangements in respect of the open offer on the basis of 2 offer shares for every 1 share in issue and held on the record date at the subscription price of HK\$0.09 each. The estimated net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$66.22 million (assuming no outstanding share options and no rights attaching to the convertible bonds are subscribed or exercised on or before the Record Date) will be used (i) as to not less than 80% for the capital injection into Heng He as its general working capital to facilitate the expansion of the financial leasing business; and (ii) the remaining for the general working capital of the Group.

LITIGATION

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.

OUTLOOK

The Board expects that 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 business 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 more variety of 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. The Group is also shifting its mobile and cloud information technology centre into Mian Yang, the PRC to its subsidiary there.

Complementing the trading business, the Group's information technology business in the PRC is also developing mobile and cloud based application software and operating related e-commerce platform to trade the Group's consumer products in the PRC.

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 Heng He has been generating profits in the first half of this year, it is expected that it 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 Heng He. 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.

CAPITAL STRUCTURE AND GEARING RATIO

	As at 30 June 2015 HK\$'000 (Unaudited)	Proportion	As at 31 December 2014 HK\$'000 (Audited)	Proportion
Total borrowings				
– Bank borrowings	206	0.11%	206	0.14%
– Convertible bonds (liability component)	93,748	52.87%	87,803	59.50%
– Finance lease obligations	3,300	1.86%	2,350	1.59%
– Promissory notes	49,045	27.66%	44,291	30.01%
Equity attributable to owners of the Company	146,299	82.50%	134,650	91.24%
	31,031	17.50%	12,934	8.76%
Total capital employed	177,330	100%	147,584	100%

The Group's gearing ratio was approximately 82.50% as at 30 June 2015 (31 December 2014: 91.24%). The decrease was mainly contributed by the increase in equity attributable to owners of the Company more than the increase in Total borrowings during the six months ended 30 June 2015.

The outstanding principal amount consists of two convertible bonds approximately HK\$164,068,000 as at 30 June 2015 (31 December 2014: one convertible bond HK\$124,068,000). The 2008 convertible bonds' outstanding principal amount is approximately HK\$124,068,000, maturity date is 12 August 2017 and the effective interest rate of the liability component is approximately 14.13%. The 2015 convertible bonds' outstanding principal amount is approximately HK\$40,000,000, maturity date is 21 April 2018. As the 2015 convertible bonds bears a compulsorily conversion feature, the fair value was wholly recognised as equity and will not be remeasured after initial recognition. The fair value valuation of this convertible bonds was performed by Roma Appraisals Limited, an independent qualified valuer not connected to the Group and was determined based on market price.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Current assets	56,370	70,110
Current liabilities	17,181	5,512
Current ratio	328.09%	1,271.95%

Current ratio as at 30 June 2015 was 328.09% (31 December 2014: 1,271.95%), representing the Group maintains healthy liquidity.

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately HK\$18,203,000 (31 December 2014: HK\$32,207,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 30 June 2015 and 31 December 2014. As at 30 June 2015, about 84% (31 December 2014: 96%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 84% (31 December 2014: 96%) were denominated in Hong Kong dollars.

FOREIGN CURRENCY EXPOSURE

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2015 and year ended 31 December 2014, most of the Group's transactions were denominated in Hong Kong dollars ("HK\$"), Renminbi ("RMB"), Indonesian Rupiah ("Rp") and United States dollars ("US\$"), to which HK\$ is pegged. The Group had exposure to the risk of exchange rate fluctuations for RMB on account of its cost of information technology business and financial lease business in China, and Rp on account of its cost of forestry and plantation operations in Indonesia. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

CONTINGENT LIABILITIES

As at 30 June 2015 and 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 period under review are disclosed in Note 9 of the notes to the financial statements. The Group did not dispose of any material subsidiaries and associates during the period ended 30 June 2015.

SIGNIFICANT INVESTMENTS

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

PLEDGE OF ASSETS

As at 30 June 2015 and 31 December 2014, the Group did not have any pledged deposits and assets.

CAPITAL COMMITMENTS

As at 30 June 2015 and 31 December 2014, the Group did not have any significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group employed 25 staff (31 December 2014: 25). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Apart from salary payments, other staff benefits included provident fund contributions and medical insurance coverage. Share options may also be granted to eligible employees and persons. As at 30 June 2015, there were 256,488 share options outstanding (31 December 2014: 256,488, having adjusted for rights issue of 4 shares for 1 share effected on 22 July 2014 and share consolidation of 8 into 1 effected on 26 September 2014).

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of the Company is pleased to announce that the unaudited condensed consolidated interim results of the Group for the three months and the six months ended 30 June 2015, together with the comparative unaudited figures for the corresponding periods in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	Three months ended 30 June 2015 (Unaudited) HK\$'000	Three months ended 30 June 2014 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000	Six months ended 30 June 2014 (Unaudited) HK\$'000
REVENUE	2	29,814	15,634	39,322	30,803
Cost of sales		(27,184)	(14,856)	(35,868)	(28,995)
Gross profit		2,630	778	3,454	1,808
Other income and other net gains and losses		(1,216)	21	(2,460)	2,775
Gain from bargain purchase arising on acquisition of a subsidiary		2,139	—	2,139	—
Operating and administrative expenses	5	(5,624)	(3,762)	(9,498)	(8,160)
Finance costs		(4,018)	(5,108)	(7,694)	(10,267)
Share of results of an associate		2,048	—	2,048	—
LOSS BEFORE TAX	4	(4,041)	(8,071)	(12,011)	(13,844)
Income tax	6	(198)	—	(1,428)	—
LOSS FOR THE PERIOD		(4,239)	(8,071)	(13,439)	(13,844)
Loss attributable to:					
Owners of the Company		(4,009)	(8,071)	(13,140)	(13,844)
Non-controlling interests		(230)	—	(299)	—
		(4,239)	(8,071)	(13,439)	(13,844)
		HK\$	HK\$ restated	HK\$	HK\$ restated
LOSS PER SHARE					
Basic and diluted	8	(0.01)	(0.02)	(0.03)	(0.04)

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Three months ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(4,239)	(8,071)	(13,439)	(13,844)
Other comprehensive loss, after tax: Exchange difference on translating of financial statements of overseas subsidiaries	11	–	11	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(4,228)	(8,071)	(13,428)	(13,844)
Total comprehensive loss attributable to: Owners of the Company Non-controlling interests	(4,007) (221)	(8,071) –	(13,138) (290)	(13,844) –
	(4,228)	(8,071)	(13,428)	(13,844)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	10	5,586
Forest concessions		29,000
Goodwill		37,159
Interests in an associate	11	55,961
Available-for-sale investments		1,275
Other financial assets		–
		5,025
Total non-current assets		128,981
		72,789
Current assets		
Inventories		6,734
Other financial assets		5,025
Trade receivables	12	11,276
Loan receivables	13	6,600
Prepayments, deposits and other receivables		8,532
Amount due from a director	14	–
Cash and cash equivalents	15	18,203
Total current assets		56,370
Total assets		185,351
		142,899
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	17	383
Reserves		30,648
		(17,709)
Non-controlling interests		31,031
		(8,521)
Total equity		22,510
		3,462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)
As at 30 June 2015

Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-current liabilities		
Convertible bonds	16	93,748
Promissory notes		49,045
Finance lease obligations due more than one year		2,867
		145,660
Current liabilities		
Bank borrowings		206
Finance lease obligations due within one year		433
Trade payables	18	7,331
Other payables and accruals		8,867
Tax payables		344
Total current liabilities		17,181
Total liabilities		162,841
Total equity and liabilities		185,351
Net current assets		39,189
Total assets less total liabilities		22,510

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2015

	Attributable to owners of the Company											
	Share premium account		Equity component of convertible bonds		Share option reserve		Capital reduction reserve		Exchange fluctuation reserve		Non-controlling interests	Total equity
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Component of convertible bonds (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital reduction reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	
At 1 January 2014	3,859	708,125	66,710	25,283	963	132,931	(54)	(879,454)	58,363	(1,650)	56,713	
Changes in equity for 2014:												
Loss for the period	-	-	-	-	-	-	-	(13,844)	(13,844)	-	(13,844)	
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive loss	-	-	-	-	-	-	-	(13,844)	(13,844)	-	(13,844)	
Partial redemption of convertible bonds	-	-	-	(2,555)	-	-	-	-	(2,555)	-	(2,555)	
Issue of new shares upon placing	2,270	33,261	-	-	-	-	-	-	35,531	-	35,531	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	692	692	
At 30 June 2014	6,129	741,386	66,710	22,728	963	132,931	(54)	(893,298)	77,495	(958)	76,537	
At 1 January 2015	30,643	810,692	66,710	22,728	963	132,931	(54)	(1,051,679)	12,934	(9,472)	3,462	
Changes in equity for 2015:												
Loss for the period	-	-	-	-	-	-	-	(13,140)	(13,140)	(299)	(13,439)	
Other comprehensive income	-	-	-	-	-	-	2	-	2	9	11	
Total comprehensive loss	-	-	-	-	-	-	-	(13,140)	(13,138)	(290)	(13,428)	
Capital reduction of issued shares	(30,260)	-	-	-	-	30,260	-	-	-	-	-	
Acquisition of subsidiaries	-	-	-	31,235	-	-	-	-	31,235	1,241	32,476	
At 30 June 2015	383	810,692	66,710	53,963	963	163,191	(52)	(1,064,819)	31,031	(8,521)	22,510	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2015*

Notes	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash flows generated from/(used in) operating activities	10,131	(14,016)
Net cash flows used in investing activities	(3,748)	(1,508)
Net cash flows (used in)/generated from financing activities	(20,409)	16,875
Net (decrease)/increase in cash and cash equivalents	(14,026)	1,351
Cash and cash equivalents at beginning of period	32,207	7,895
Effect of exchange rate changes	22	–
Cash and cash equivalents at end of period	18,203	9,246
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	15	18,203
		9,246

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include the Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention. These unaudited condensed consolidated interim results are presented in Hong Kong dollar and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim results should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2014 (the "2014 Annual Report"). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2014 Annual Report, except for the new standards, amendments and interpretations ("the New HKFRSs") issued by the HKICPA that are adopted for the first time for the current financial statements. The adoption of the New HKFRSs had no material impact on the Group's financial statements. The Group had not early adopted any New HKFRSs that have been issued but are not yet effective.

2. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, the value of services rendered and interest income from money lending during the six months period under review.

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue from:				
Trading business	26,549	13,212	35,060	24,537
Information technology business	2,828	2,397	3,722	6,241
Money lending	288	25	391	25
Other business	149	—	149	—
	29,814	15,634	39,322	30,803

3. SEGMENT REPORTING

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

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

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.

3. SEGMENT REPORTING (continued)

For the six months ended 30 June 2015

	Trading business (Unaudited) HK\$'000	Forestry business (Unaudited) HK\$'000	Financial lease business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Money lending business (Unaudited) HK\$'000	Other business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment revenue:									
Revenue from external customers	35,060	-	-	3,722	391	149	39,322	-	39,322
Operating profit/(loss)									
Interest income	1,136	-	-	(3,092)	283	35	(1,638)	-	(1,638)
Gain from bargain purchase arising on acquisition of a subsidiary	-	-	-	-	-	-	-	46	46
Share of results of an associate	-	-	-	-	-	-	-	2,139	2,139
Finance costs (non-cash)	-	-	2,048	-	-	-	2,048	-	2,048
Other expenses	-	-	-	-	-	-	-	(7,694)	(7,694)
Profit/(loss) before tax	1,136	-	2,048	(3,092)	283	35	410	(12,421)	(12,011)
Additions for non-current assets									
Depreciation	178	-	-	120	-	-	298	1,465	1,763
	(22)	-	-	(26)	-	-	(48)	(880)	(928)

For the six months ended 30 June 2014

	Trading business (Unaudited) HK\$'000	Forestry business (Unaudited) HK\$'000	Plantation business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Money lending business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment revenue:								
Revenue from external customers	24,537	-	-	6,241	25	30,803	-	30,803
Operating profit/(loss)								
Interest income	642	-	-	(1,200)	25	(533)	-	(533)
Other income	-	-	-	-	-	-	22	22
Gain on early redemption of convertible bonds	-	-	-	-	-	-	1	1
Finance costs (non-cash)	-	-	-	(29)	-	(29)	(10,238)	(10,267)
Other expenses	-	-	-	-	-	-	(5,819)	(5,819)
Profit/(Loss) before tax	642	-	-	(1,229)	25	(562)	(13,282)	(13,844)
Additions for non-current assets								
Depreciation	-	-	-	120	-	120	1,414	1,534
	-	-	-	(15)	-	(15)	(505)	(520)

3. SEGMENT REPORTING (*continued*)

As at 30 June 2015

	Trading business (Unaudited) HK\$'000	Forestry business (Unaudited) HK\$'000	Financial lease business (Unaudited) HK\$'000	Money lending business (Unaudited) HK\$'000	Information technology business (Unaudited) HK\$'000	Other business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Group Total (Unaudited) HK\$'000
Segment assets	21,665	29,001	55,961	11,316	49,265	181	167,389	-	167,389
Cash and cash equivalents	-	-	-	-	-	-	-	12,266	12,266
Other assets	-	-	-	-	-	-	-	5,696	5,696
Total assets	21,665	29,001	55,961	11,316	49,265	181	167,389	17,962	185,351
Segment liabilities	(5,081)	(77)	(23)	(6)	(8,232)	(3)	(13,422)	-	(13,422)
Convertible bonds	-	-	-	-	-	-	-	(93,748)	(93,748)
Promissory notes	-	-	-	-	-	-	-	(49,045)	(49,045)
Other liabilities	-	-	-	-	-	-	-	(6,626)	(6,626)
Total liabilities	(5,081)	(77)	(23)	(6)	(8,232)	(3)	(13,422)	(149,419)	(162,841)

As at 31 December 2014

	Trading business (Audited) HK\$'000	Forestry business (Audited) HK\$'000	Plantation business (Audited) HK\$'000	Money lending business (Audited) HK\$'000	Information Technology business (Audited) HK\$'000	Total (Audited) HK\$'000	Unallocated (Audited) HK\$'000	Group Total (Audited) HK\$'000
Segment assets	14,858	29,023	-	3,762	55,596	103,239	-	103,239
Cash and cash equivalents	-	-	-	-	-	-	29,249	29,249
Other assets	-	-	-	-	-	-	10,411	10,411
Total assets	14,858	29,023	-	3,762	55,596	103,239	39,660	142,899
Segment liabilities	(385)	(84)	-	(9)	(3,882)	(4,360)	-	(4,360)
Convertible bonds	-	-	-	-	-	-	(87,803)	(87,803)
Promissory notes	-	-	-	-	-	-	(44,291)	(44,291)
Other liabilities	-	-	-	-	-	-	(2,983)	(2,983)
Total liabilities	(385)	(84)	-	(9)	(3,882)	(4,360)	(135,077)	(139,437)

3. SEGMENT REPORTING (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2015 (Unaudited) HK\$'000	Six months ended 30 June 2014 (Unaudited) HK\$'000
Hong Kong (place of domicile)	39,322	30,803

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

(b) Non-current assets

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Indonesia	29,000	29,000
Hong Kong (place of domicile)	40,752	43,789
China	59,229	–
	128,981	72,789

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

3. SEGMENT REPORTING (*continued*)

Information about major customers

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

	Six months ended 30 June 2015 (Unaudited) HK\$'000	Six months ended 30 June 2014 (Unaudited) HK\$'000
Customer A – revenue from trading business – Hong Kong	7,181	9,490
Customer B – revenue from trading business – Hong Kong	–	9,393
Customer C – revenue from trading business – Hong Kong	4,627	–
	11,808	18,883

4. LOSS BEFORE TAX

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

	Three months ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation	445	233	928	520
Staff costs (including directors' emoluments)	1,464	1,818	2,911	3,683

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest charge on convertible bonds (Note 1)	3,037	5,090	5,945	10,234
Interest charge on promissory notes (Note 2)	940	—	1,680	—
Interest charge on bank borrowings	—	14	—	29
Interest charge on finance lease obligations (Note 3)	41	4	69	4
	4,018	5,108	7,694	10,267

Note:

- (1) The charge represents the imputed interest on the liability component of the convertible bonds for the period.
- (2) The charge represents the imputed interest for all promissory notes and coupon interest 2% per annum for one of the promissory notes for the period.
- (3) The charge represents interest on financing the acquisition of motor vehicles.

6. INCOME TAX

Hong Kong Income tax recognized in profit or loss:

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax provision	198	—	198	—
Under provision in prior years	—	—	1,230	—
Total income tax recognised in profit or loss	198	—	1,428	—

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2014: Nil).

There was no income tax relating to the other comprehensive income during the period (2014: Nil).

7. DIVIDEND

No interim dividend has been paid or declared by the Company or any of its subsidiaries during the six months ended 30 June 2015 (2014: Nil).

8. LOSS PER SHARE

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

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

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss for the period				
Loss attributable to owners of the Company	(4,009)	(8,071)	(13,140)	(13,844)
Number of shares (in thousands)				
(Restated) (Restated)				
Shares				
Weighted average number of ordinary shares in issue during the period	383,031	383,031	383,031	353,373

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for the periods of 2014 has been retrospectively adjusted for rights issue of 4 rights shares for every share held effected on 23 July 2014 and share consolidation of 8 into 1 effected on 26 September 2014.

No adjustment has been made to the basic loss per share presented for the periods in respect of a dilution as the impact of the convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share.

9. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(i) Completion of very substantial acquisition

On 21 April 2015, the Group completed acquisition of the entire issued share capital of Blossom Height Ventures Limited through a directly wholly-owned subsidiary. Pursuant to the acquisition agreement, the acquisition consideration was agreed at HK\$72 million, and as a result of the completion, the Group issued the promissory note in the principal sum of HK\$32 million and convertible bonds in the principal sum of HK\$40 million to the vendor, Yihua Enterprises Limited, as settlement of the consideration.

The promissory note carries no interest, its fair value at acquisition was approximately HK\$20,525,000 which was the fair value of the liability component minus the fair value of the call component of the promissory note.

The fair value of the liability component was obtained by discounting the estimated contractual cash flow over the remaining contractual term at the discount rate approximately 13.534%. The fair value of the call component was Nil due to bears no interest of the promissory note and by using receiver swaption method to stimulate the payoff of the call component.

The convertible bonds bears no interest and carries a compulsory conversion feature. The fair value of the convertible bonds at acquisition was approximately HK\$31,235,000. Since the convertible bonds are subject to compulsory conversion at maturity, the fair value was considered to equal to the number of shares convertible by the convertible bonds multiplied by the diluted stock price of the issuing company at date of valuation.

Valuation for both of the promissory note and convertible bonds was done by Roma Appraisals Limited, an independent qualified professional valuer which is independent to the Group.

Following the completion, Blossom Height became an indirect wholly-owned subsidiary of the Group and the financial results of it together with its subsidiaries will be consolidated into the accounts of the Group (in which Heng He Financial Lease (Shanghai) Company Limited is accounted for using equity method).

(ii) Completed acquisition of a non-wholly owned subsidiary

On 3 April 2015, the Group completed acquisition of 60% shareholdings of a non-wholly owned subsidiary, through an indirect wholly-owned subsidiary entered into a shareholders agreement on 1 April 2014, Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司), a company incorporated in the People's Republic of China.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired approximately HK\$1,763,000 in motor vehicles and computer and office equipment (2014: HK\$1,534,000).

11. INTERESTS IN AN ASSOCIATE

Interests in an associate of the Group were as follows:

	As at 30 June 2015 (Unaudited) HK\$'000
Unlisted shares, at cost	49,838
Share of pre-acquisition results	3,156
Share of post-acquisition results	2,048
Exchange reserve	919
	55,961

As at 30 June 2015, the Group had interests in the following associate:

Name of an associate:	Heng He Financial Lease (Shanghai) Company Limited
Place of establishment and operations:	People's Republic of China
Paid-up capital:	RMB100 million
Proportion of ownership interest held by the Group:	40% (indirectly)
Principal activities:	Provision of financial leasing services

11. INTERESTS IN AN ASSOCIATE *(continued)*

Summarised financial information in respect of the interests in an associate:

	As at 30 June 2015 (Unaudited) HK\$'000
Revenue	16,825
Total comprehensive income for the period	8,772
Total assets	817,757
Total liabilities	677,854
Reconciliation of the above summarised financial information to the carrying amount of the interests in an associate recognised in the condensed consolidated financial statements:	
Net assets of an associate	139,903
Proportionate interests in an associate	40%
	55,961

12. TRADE RECEIVABLES

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 30 days	4,154	3,207
31 to 60 days	931	2
61 to 120 days	678	2,468
Over 120 days	5,513	1,455
	11,276	7,132

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

13. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business during the periods.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by personal guarantees by the debtors/ certain individuals. Overdue balances are reviewed regularly and handled closely by senior management.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Repayable:		
Within 3 months	3,530	2,200
3 months to 1 year	3,070	1,020
	6,600	3,220

The aged analysis of the loan receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Neither past due nor impaired		
1 to 3 months past due not impaired	3,220	2,700
	3,380	520
	6,600	3,220

Loan receivables that were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

Loan receivables that were past due but not impaired relate to independent debtors. The directors of the Company are of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

14. AMOUNT DUE FROM A DIRECTOR

	30 June 2015 (Unaudited) HK\$ '000	31 December 2014 (Audited) HK\$ '000
Mr. Kong Lung Cheung	-	10,530
Mr. Lau Chung Yan	-	(30)
	-	10,500

Amount due from a director is unsecured, interest-free and recoverable on demand at the end of the relevant periods.

Mr. Kong Lung Cheung is a director of a subsidiary of Ever Group Limited, the amount constituted a continuing connected transactions upon completion of the acquisition of Ever Hero Group in year 2014 and was fully repaid in the period of year 2015.

Mr. Lau Chung Yan is a director of an indirect wholly-owned subsidiary of End User Investments Limited.

The maximum debt balance of amount due from a director during the relevant periods was approximately HK\$10,530,000.

15. CASH AND CASH EQUIVALENTS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Deposits with bank	16,868	30,889
Cash in hand	1,335	1,318
Cash and cash equivalents	18,203	32,207

At 30 June 2015, approximately HK\$9,000,000 of deposits with bank was placed in time deposit carrying market interest rate (31 December 2014: HK\$27,137,000). The bank balances are deposited with creditworthy banks of high credit ratings in HK.

16. CONVERTIBLE BONDS

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
At beginning of the period/year	87,803	187,471
Interest charged	5,945	12,820
Extinguishment of financial liability charged to profit or loss	–	(39,480)
Early redemption	–	(73,008)
 At end of the period/year	 93,748	 87,803

17. SHARE CAPITAL

	Number of Shares '000	Nominal Values HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.08 each		
As at 31 December 2014 (Audited)	2,500,000	200,000
Share sub-division (<i>Note</i>)	197,500,000	–
 As at 30 June 2015, ordinary shares of HK\$0.001 each (Unaudited)	 200,000,000	 200,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.08 each		
As at 31 December 2014 (Audited)	383,031	30,643
Capital reduction (<i>Note</i>)	–	(30,260)
 As at 30 June 2015, ordinary shares of HK\$0.001 each (Unaudited)	 383,031	 383

Note:

On 6 January 2015 (Hong Kong time), the Company's proposal on the capital reorganization ("Capital Reorganisation") became effective. 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; 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.

18. TRADE PAYABLES

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 30 days	2,982	597
31 to 60 days	412	—
61 to 120 days	1,797	53
Over 120 days	2,140	1,543
	7,331	2,193

19. COMMITMENTS

(a) Operating lease commitments

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
<u>Properties</u>		
Within one year	1,074	721
In the second to fifth years, inclusive	1,639	247
	2,713	968

(b) Capital commitments

The Group did not have any material capital commitments as at 30 June 2015 (31 December 2014: Nil).

20. CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

21. RELATED PARTY TRANSACTIONS

Total compensation paid to key management personnel during the period amounted to approximately HK\$1,140,000 (30 June 2014: HK\$1,298,000).

22. COMPARATIVE FIGURES

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

23. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the circular of the Company incorporating a notice (the "EGM Notice") of extraordinary general meeting (the "EGM") dated 15 June 2015, the EGM was held on 6 July 2015, during which the resolution as set out in the EGM Notice, in respect of the open offer on the basis of 2 offer shares for every 1 share in issue and held on the record date at the subscription price of HK\$0.09 each, was duly passed by the Independent Shareholders by way of poll.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 June 2015

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

Name of directors	Personal	Number of the shares interested and nature of interest Founder of a discretionary trust	Total	Approximate percentage of the total issued share capital of the Company (%)
Cheung Wai Yin, Wilson <i>(Note)</i>	185,938	32,812,500	32,998,438	8.62
Lau Chi Yan, Pierre	1,328,125	–	1,328,125	0.35

Note: As at the Latest Practicable Date, 32,812,500 Shares were owned by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself). Accordingly, Mr. Cheung is deemed to be interested in the relevant Shares for the purpose of the SFO. Mr. Cheung is also personally interested in 185,938 Shares.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)**Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 June 2015 (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 (Note)	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 Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 June 2015 (continued)

Save as disclosed above, as at 30 June 2015, none of the directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in Shares and Underlying Shares" above and "Share Option Scheme" below, at no time during the period for the six months ended 30 June 2015 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, 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	Nature of interest/capacity	Number of Shares	Approximate percentage of total issued share capital of the Company (%)
Ivana	Beneficial owner	32,812,500	8.62%
CW Limited (Note 1)	Controlled corporation	32,812,500	8.62%
Asiatrust Limited (Note 1)	Trustee	32,812,500	8.62%
Pacific Foundation Securities Limited	Beneficial owner	700,578,868	60.97%

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

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

Notes:

- (1) The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).
- (2) The percentage represented the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.

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

Name of Shareholders	Nature of interest/capacity	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (%)
Ivana	Beneficial owner	297,619,048	77.7%
CW Limited (Note 1)	Controlled corporation	297,619,048	77.7%
Asiatrust Limited (Note 1)	Trustee	297,619,048	77.7%
Yihua Enterprise Limited	Beneficial owner	125,000,000	32.63%
Cheng Jun (Note 2)	Controlled corporation	125,000,000	32.63%
Gao Yun Feng (Note 2)	Controlled corporation	125,000,000	32.63%

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

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

Notes:

- (1) The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).
- (2) The interest is held by Yihua Enterprises Limited, a company incorporated in the British Virgin Islands owned as to 50% by Mr. Cheng Jun and 50% by Mr. Gao Yun Feng.
- (3) The percentage represented the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2015, 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 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 30 June 2015, 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 30 June 2015 and the date of this report respectively.

SHARE OPTION SCHEME (*continued*)

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								Original exercise price of the share options and rights issue	Adjusted exercise price of the share after share consolidation
	Outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 March 2015	Date of grant of the share options	Exercise period of the share options	Price of the shares before the date of grant (note) per share		
Non-executive director										
Wong Chi Man	8,848	-	-	-	8,948	17/1/2013	17/1/2013- 16/1/2023	0.01	0.01	3.36
Independent non-executive director										
Yeung Mo Sheung, Ann	10,439	-	-	-	10,439	17/1/2013	17/1/2013- 16/1/2023	0.01	0.01	3.36
Employees and other eligible participants										
Employees	26,841	-	-	-	26,841	30/5/2012	30/5/2012- 29/5/2022	0.017	0.017	5.68
Other eligible participants	210,260	-	-	-	210,260	30/5/2012	30/5/2012- 29/5/2022	0.017	0.017	5.68
	256,488	-	-	-	256,488					

Notes: 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 report, no other share options were exercised subsequent to the balance sheet date.

During the period for the six months ended 30 June 2015 and 2014, no share options were granted by the Company, therefore no recognition of share option expense in both years for the reporting period.

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

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the period for the six months ended 30 June 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the directors of the Company, the Company has complied with the code provisions under the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the GEM Listing Rules throughout the period for the six months ended 30 June 2015, except for the following deviations from the code provisions of the CG Code:

Code Provision A.2.1

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

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

Mr. Cheung Wai Yin, Wilson currently assumes the roles of both the chairman and chief executive officer of the Company. Traditionally, the chief executive officer of the Company also assumes the role of the chairman of the Company because it is believed that the structure of the Board ensures the balance of power and authority therefore no need to segregate the roles of the chairman and chief executive officer of the Company. Mr. Cheung has substantial experience that is essential to fulfilling the role of the chairman of the Company, at the same time, he has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the chief executive officer of the Company in the day-to-day management of the Group.

The Board is composed of six directors including three independent non-executive directors (the "INED(s)") with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the management of the Company's major operating subsidiaries are performed by the managing director and other individuals. The balance of power and authority is therefore ensured by the current structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board appointed Mr. Lau Chi Yan, Pierre as managing director of the Company to take care of the day-to-day management of the Group. Apart from assuming the role as the chairman of the Company, Mr. Cheung Wai Yin, Wilson remains as the chief executive officer of the Company to formulate business as well as corporate development strategies, to direct and to supervise the Group's overall affairs.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (*continued*)**Corporate Governance Practices** (*continued*)**Code Provision A.4.2**

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

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

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

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

Code Provision A.6.4

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

The Company has not adopted a code of conduct regarding the securities transactions by the directors of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period for the six months ended 30 June 2015.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2014 Annual Report of the Company issued in March 2015.

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

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") with specific written terms of reference in line with the code provisions under the CG Code. The Nomination Committee consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. The chairman of the Nomination Committee is elected by the members who are present at the meeting.

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in line with the code provisions under the CG Code. The Remuneration Committee consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. The chairman of the Remuneration Committee is elected by the members who are present at the meeting.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The Audit Committee consists of three members comprising all the INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The chairman of the Audit Committee is elected by the members who are present at the meeting. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2015, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

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

BOARD OF DIRECTORS

As at the date of this 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, 6 August 2015

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