

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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MERDEKA
MERDEKA RESOURCES HOLDINGS LIMITED
(萬德資源集團有限公司*)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 08163)

CONNECTED TRANSACTION
ZERO COUPON CONVERTIBLE BONDS

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders



A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular.

A letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 25 of this circular.

A notice convening the EGM is set out on pages 34 to 35 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Ltd. at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

This circular will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its publication and will be published and remains on the website of the Company at www.merdeka.com.hk and <http://www.irasia.com/listco/hk/merdeka>.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associates”	has the meaning ascribed thereto under the GEM Listing Rules;
“Board”	the board of directors of the Company;
“bondholder(s)”	holder(s) of the Convertible Bonds;
“CCT Telecom”	CCT Telecom Holdings Limited (中建電訊集團有限公司*), a company listed on the Main Board of the Stock Exchange and a Substantial Shareholder;
“Company”	Merdeka Resources Holdings Limited, a company incorporated in the Cayman Islands, whose shares are listed on the GEM;
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules;
“Conversion Price”	HK\$0.10 per Conversion Share, subject to adjustment under the terms and conditions of the Convertible Bonds;
“Conversion Restriction”	the restriction on the conversion of the Convertible Bonds that any bondholder(s) cannot convert any principal amount of the Convertible Bonds into Conversion Shares if, upon such conversion, MCL and parties acting in concert with it shall be interested in 30% (or such amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion pursuant to the Convertible Bonds;
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company upon exercise of the conversion rights under the Convertible Bonds from time to time;
“Convertible Bonds”	the convertible bonds due 2011 issued by the Company to MCL on 12 August 2008 following the completion of the agreement entered into among the Company, MCL and Merdeka Timber Group Ltd. in connection with the acquisition and subscription by the Company of shares in Merdeka Timber Group Ltd. representing 100% shareholding in Merdeka Timber Group Ltd.;

* *for identification purposes only*

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 4 July 2011 at 10:00 a.m. and any adjournment thereof, notice of which is set out on pages 34 to 35 of this circular;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IFA”	Investec Capital Asia Limited (formerly known as Access Capital Limited), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Terms, a licensed corporation under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as set out in Schedule 5 to the SFO;
“Independent Board Committee”	an independent board committee of the Company comprising Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry, Mr. Lau Ho Wai, Lucas to advise the Independent Shareholders in relation to the Proposed Terms;
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Lai Wing Hung, MCL and their respective associates;
“Latest Practicable Date”	13 June 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Manistar”	Manistar Enterprises Limited, a Substantial Shareholder and an indirect wholly-owned subsidiary of CCT Telecom;

DEFINITIONS

“MCL”	Merdeka Commodities Limited, a company incorporated in the British Virgin Islands with limited liability;
“Proposed Terms”	together (a) the proposed extension of the maturity date of the Convertible Bonds for three years to 12 August 2014; (b) permission for the Company, at its discretion, to redeem the whole or part of the outstanding Convertible Bonds of the bondholders on a pro rata basis prior to their maturity date; and (c) removal of the Conversion Restriction pursuant to the Supplemental Deed;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company;
“Shareholders”	the holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder”	has the meaning ascribed thereto under the GEM Listing Rules;
“Supplemental Deed”	the supplemental deed dated 30 May 2011 between the Company and MCL in respect of the Convertible Bonds;
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

MERDEKA

MERDEKA RESOURCES HOLDINGS LIMITED

(萬德資源集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08163)

Executive Directors:

Mr. Ma Hang Kon, Louis (*Chief Executive Officer*)

Mr. Lai Wing Hung

Mr. Wong Shui Lung

Non-executive Directors:

Mr. Yeh Shuen Ji (*Chairman*)

Mr. Bai Baohua

Independent Non-executive Directors:

Mr. Lam Kin Kau, Mark

Mr. Fung Hoi Wing, Henry

Mr. Lau Ho Wai, Lucas

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal

Place of Business:

Room 1903A

The Sun's Group Centre

No 200 Gloucester Road

Wanchai, Hong Kong

To the Shareholders

15 June 2011

Dear Sir or Madam

CONNECTED TRANSACTION ZERO COUPON CONVERTIBLE BONDS

INTRODUCTION

Reference is made to the announcement of the Company dated 30 May 2011. As disclosed in the announcement and circular of the Company dated 23 October 2007 and 30 May 2008 respectively, the Company issued the Convertible Bonds in the aggregate principal amount of HK\$776,880,000 which can convert into Shares at the conversion price of HK\$0.1 per Conversion Share. There is a restriction on the conversion of the Convertible Bonds that any bondholder(s) cannot convert any principal amount of the Convertible Bonds into Conversion Shares if, upon such conversion, MCL and parties acting in concert with it shall be interested in 30% (or such amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion. All outstanding Convertible Bonds will mature on 12 August 2011.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Convertible Bonds is HK\$484,880,000 which is legally and beneficially owned by MCL.

* for identification purposes only

LETTER FROM THE BOARD

For further details of the Convertible Bonds, please refer to the circular of the Company dated 30 May 2008.

The purpose of this circular is to provide you with, among others, (i) information in relation to the Proposed Terms; (ii) the letter of advice from the Independent board Committee; (iii) the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM to consider and, if thought fit, to approve the resolution in relation to the Supplemental Deed and the transactions contemplated thereunder.

SUPPLEMENTAL DEED

On 30 May 2011, the Company and MCL entered into the Supplemental Deed to (a) extend the maturity date of the Convertible Bonds for three years to 12 August 2014 accordingly; (b) allow the Company, at its discretion, to redeem the whole or part of the outstanding Convertible Bonds of the bondholders on a pro rata basis prior to their maturity date; and (c) remove the Conversion Restriction.

The Supplemental Deed is conditional upon the following conditions:

- (a) the Company having convened an extraordinary general meeting at which resolutions shall have been duly passed by the Independent Shareholders to approve and ratify the Supplemental Deed; and
- (b) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of conversion rights under the outstanding Convertible Bonds.

The Proposed Terms will take effect as from 12 August 2011 subject to all the conditions of the Supplemental Deed having been fulfilled. If the conditions are not fulfilled before 12 August 2011, the parties to the Supplemental Deed will not be bound to proceed with the transactions contemplated under the Supplemental Deed and the Supplemental Deed will cease to have any effect.

Apart from the Proposed Terms, all terms of the Convertible Bonds remain unchanged from the original terms.

LETTER FROM THE BOARD

A summary of the principal terms of the Convertible Bonds after the Supplemental Deed becomes effective are as follows:

Issuer:	The Company
Outstanding Principal Amount:	HK\$484,880,000
Interest:	Zero coupon
Conversion Period:	Subject to the restrictions specified below, bondholders shall be entitled to convert the Convertible Bonds into the Conversion Shares at any time during the period commencing from the date of issue of the Convertible Bonds until the date that falls on the fifth day immediately before the maturity date.

Restrictions in conversion:

There is no right for any bondholder(s) to convert any principal amount of the Convertible Bonds held by the bondholder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules. The original Conversion Restriction is to be removed.

Conversion Price:	HK\$0.10 per Conversion Share, subject to customary adjustments, among other things, sub-divisions and consolidations of the Shares, in accordance with the terms and conditions of the Convertible Bonds.
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The Conversion Price represents:

- (i) a discount of approximately 19.36% to the closing price per Share as quoted on the Stock Exchange of HK\$0.124 on 30 May 2011, being the last day of trading in the Shares on the Stock Exchange immediately prior to the entering into of the Supplemental Deed;

LETTER FROM THE BOARD

- (ii) a discount of approximately 19.61% to the average of the closing prices per Share for the last five trading days ended on 30 May 2011, being the last day of trading in the Shares on the Stock Exchange immediately prior to the entering into of the Supplemental Deed;
- (iii) the closing price of HK\$0.10 per Share as quoted on the Latest Practicable Date; and
- (iv) a premium of approximately 14.94% over the audited consolidated net asset value of HK8.7 cents per Share as at 31 December 2010.

Early Redemption:

Upon the Supplemental Deed becoming effective, the Company may at any time during the period commencing from the date of issue of the Convertible Bonds to the maturity date of the Convertible Bonds to redeem the whole or part of the outstanding Convertible Bonds of the bondholder(s) on a pro rata basis.

Ranking of Conversion Shares:

Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

Maturity:

The date falling on the sixth anniversary of the issue date, such date being a business day and if such date not being a business day, the immediately next business day. Unless previously converted or cancelled under the conditions of the Convertible Bonds, each Convertible Bond shall be redeemed at their principal amount on the maturity date. The original maturity date of 12 August 2011 is to be extended for 3 years to a new maturity date of 12 August 2014.

Voting Rights:

The bondholders shall not have any right to attend or vote in any general meeting of the Company by virtue of their being bondholders.

Transferability:

The Convertible Bonds are transferable from the date of issue of the Convertible Bonds until the date that falls on the tenth day before the maturity date, subject to the terms and conditions of the Convertible Bonds.

LETTER FROM THE BOARD

- Status:** General, unsecured obligations of the Company ranking equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for the obligations accorded preference by mandatory provisions of applicable laws.
- Listing:** No application will be made for the listing of the Convertible Bonds. Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the Convertible Bonds.

If the outstanding Convertible Bonds are fully converted at the initial conversion price of HK\$0.10 each, a maximum of 4,848,800,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds in full, which represents: (i) approximately 87.71% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 46.73% of the issued share capital of the Company as to be enlarged by the issue of the 4,848,800,000 Conversion Shares.

REASONS FOR THE PROPOSED AMENDMENTS

The Proposed Terms effectively allows the Group to refinance the debts under the Convertible Bonds under the same terms for a further three-year period. Since the Convertible Bonds are of zero coupon, it will not incur any interest burden for the Group for the next three years. Save for the Proposed Terms, other terms and conditions of the Convertible Bonds remain unchanged.

As at the Latest Practicable Date, the Independent Shareholders were interested in approximately 75.34% of the issued share capital of the Company. In the event that the outstanding Convertible Bonds are converted in full, an aggregate of 4,848,800,000 Conversion Shares will be allotted and issued to the bondholder(s). In that case, the aggregate shareholding interests of the Independent Shareholders will be reduced to approximately 40.14% immediately after the full conversion of the outstanding Convertible Bonds, representing a dilution of approximately 46.72% from their existing holdings of approximately 75.34% as at the Latest Practicable Date.

The Board (including the independent non-executive Directors, whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, but save for Mr. Lai Wing Hung who has a material interest in the transaction and has abstained from voting on the Board resolution in relation to the Proposed Terms) considers that the terms and conditions of the Supplemental Deed are fair and reasonable and the Proposed Terms are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the Latest Practicable Date and immediately after the full conversion of the outstanding Convertible Bonds is as follows:

Name of Director	As at the Latest Practicable Date		Immediately after the full conversion of the outstanding Convertible Bonds	
	No. of Shares	Approximate percentage (%)	No. of Shares	Approximate percentage (%)
Ma Hang Kon, Louis	9,800,000	0.18	9,800,000	0.09
Lai Wing Hung (<i>Note 1</i>)	75,000,000	1.36	75,000,000	0.72
Fung Hoi Wing, Henry	550,000	0.01	550,000	0.01
Sub-total for Directors	85,350,000	1.55	85,350,000	0.82
Name of Substantial Shareholder	As at the Latest Practicable Date		Immediately after the full conversion of the outstanding Convertible Bonds	
MCL (<i>Note 1</i>)	1,277,680,000	23.11	6,126,480,000	59.04
Manistar and Mak Shiu Tong, Clement (<i>Note 2</i>)	1,351,108,070	24.44	1,351,108,070	13.02
Sub-total for Substantial Shareholders	2,628,788,070	47.55	7,477,588,070	72.06
Total non-public Shareholders	2,714,138,070	49.10	7,562,938,070	72.88
Total public Shareholders	2,814,010,930	50.90	2,814,010,930	27.12
Total	5,528,149,000	100.00	10,376,949,000	100.00

Notes:

1. In addition to his direct interest of 75,000,000 Shares, Mr. Lai Wing Hung is also deemed to be interested in 1,277,680,000 Shares held beneficially by MCL under the SFO through his 30% interests in MCL and his 100% interests in Merdeka Finance Group Limited, which in turn holds 70% shareholdings in MCL as at the Latest Practicable Date.
2. The 1,351,108,070 Shares were held as to (i) 1,331,764,070 Shares by Manistar, which is wholly-owned by CCT Capital International Holdings Limited which in turn is a wholly-owned subsidiary of CCT Telecom; and (ii) 19,344,000 Shares by Mr. Mak Shiu Tong, Clement directly. Mr. Mak Shiu Tong, Clement is deemed to be interested in the 1,331,764,070 Shares held beneficially by Manistar under the SFO through his controlling interest in CCT Telecom as at the Latest Practicable Date.

LETTER FROM THE BOARD

FUND RAISING ACTIVITY IN PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the Latest Practicable Date.

GEM LISTING RULES IMPLICATIONS

For the purpose of the GEM Listing Rules, the Proposed Terms contemplated by the Supplemental Deed will be treated as an issue of new convertible bonds and are therefore subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the outstanding Convertible Bonds.

As at the Latest Practicable Date, MCL holds 1,277,680,000 Shares representing approximately 23.11% of the issued share capital of the Company. MCL is a Substantial Shareholder and hence a connected person of the Company under the GEM Listing Rules. The Proposed Terms to be effected by the Supplemental Deed between the Company and MCL constitute a connected transaction of the Company. Therefore, the Supplemental Deed and the transactions contemplated thereunder are subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM under the GEM Listing Rules.

In the event that any bondholder converts the outstanding Convertible Bonds to the extent the total number of voting shares held by such bondholder and parties acting in concert with it are 30% or more of the issued share capital of the Company, it will be required to make a mandatory general offer for all the issued Shares (other than those already owned by or agreed to be acquired by it) pursuant to Rule 26 of the Takeovers Code.

An independent board committee comprising Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, being all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Supplemental Deed and the transactions contemplated thereunder. Investec Capital Asia Limited (formerly known as Access Capital Limited) has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed and the transactions contemplated thereunder.

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the Convertible Bonds.

Mr. Lai Wing Hung, who is an executive Director, has a material interest in the transaction by virtue of his 30% interest in MCL and his 100% interest in Merdeka Finance Group Limited, which in turn holds 70% shareholdings in MCL as at the Latest Practicable Date. MCL, Mr. Lai Wing Hung and their respective associates (who in aggregate hold 1,352,680,000 Shares representing approximately 24.47% of the issued share capital of the Company as at the Latest Practicable Date) will abstain from voting in respect of the resolution for approving the Supplemental Deed and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND MCL

The Group is principally engaged in (i) the timber business including the upstream operations of harvesting timber and the downstream operations of production of timber and wood products; (ii) the plantation business; and (iii) the trading business.

MCL is an investment holding company. To the best knowledge of the Directors, apart from the holding of approximately 23.11% shareholding in the Company and the Convertible Bonds in the principal amount of HK\$484,880,000, MCL does not have any other significant business activities.

EGM

Set out on pages 34 to 35 of this circular is a notice convening the EGM at which an ordinary resolution will be proposed for the approval by the Independent Shareholders by poll in relation to the Supplemental Deed and the transactions contemplated thereunder.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Ltd. at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion of the enclosed proxy form will not preclude you from attending and voting at the EGM or any adjournment should you so wish.

In compliance with the GEM Listing Rules, the votes to be taken at the EGM in respect of the Supplemental Deed and the transactions contemplated thereunder will be taken by poll, the results of which will be announced after the EGM.

RECOMMENDATION

The Board, having taken into account the advice of the IFA and the Independent Board Committee, considers that (i) the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Terms are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed in the EGM to approve the Supplemental Deed and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 13 to 14 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the Supplemental Deed and the transactions contemplated thereunder; and (ii) the letter from the IFA set out on pages 15 to 25 of this circular which contains its advices to the Independent Board Committee and the Independent Shareholders regarding the Supplemental Deed and the transactions contemplated thereunder and the principal factors and reasons considered by the IFA in arriving at its opinions.

Additional information is also set out in the Appendix of this circular for your information.

By order of the Board of
Merdeka Resources Holdings Limited
Ma Hang Kon, Louis
Chief Executive Officer

MERDEKA

MERDEKA RESOURCES HOLDINGS LIMITED

(萬德資源集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08163)

Registered Office:
Cricket Square
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head Office and Principal
Place of Business:*
Room 1903A
The Sun's Group Centre
No 200 Gloucester Road
Wanchai, Hong Kong

15 June 2011

To the Independent Shareholders

Dear Sirs

CONNECTED TRANSACTION ZERO COUPON CONVERTIBLE BONDS

We refer to the circular dated 15 June 2011 issued by the Company (the “**Circular**”) of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to consider the Supplemental Deed and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Supplemental Deed. Investec Capital Asia Limited (formerly known as Access Capital Limited) has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the IFA to the Independent Board Committee and the Independent Shareholders, as set out on pages 15 to 25 of the Circular, which contains its advices in respect of the Supplemental Deed and transactions contemplated thereunder, together with the principal factors and reasons the IFA has

* for identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

taken into consideration in giving such advice. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

RECOMMENDATION

Having considered the terms of the Supplemental Deed, the transactions contemplated thereunder and taking account of the independent advice of the IFA and the relevant information contained in the letter from the Board, we are of the opinion that (i) the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Terms are in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed in the EGM to approve the Supplemental Deed and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Independent Board Committee

Mr. Lam Kin Kau, Mark
*Independent non-executive
Director*

Mr. Fung Hoi Wing, Henry
*Independent non-executive
Director*

Mr. Lau Ho Wai, Lucas
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Terms prepared for the purpose of incorporation in this circular.



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15 June 2011

To: *The Independent Board Committee and
the Independent Shareholders of
Merdeka Resources Holdings Limited*

Dear Sirs/Madams,

CONNECTED TRANSACTION

I. INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Proposed Terms. Details of the Proposed Terms are contained in the letter from the Board (the "Letter from the Board") of the circular to the Shareholders dated 15 June 2011 (the "Circular"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 30 May 2011, the Company and MCL entered into the Supplemental Deed to (i) extend the maturity date of the Convertible Bonds for three years to 12 August 2014; (ii) allow the Company, at its discretion, to redeem the whole or part of the outstanding Convertible Bonds of the bondholders on a pro rata basis prior to their maturity date; and (iii) remove the Conversion Restriction. For the purpose of the GEM Listing Rules, the Proposed Terms contemplated by the Supplemental Deed will be treated as an issue of new convertible bonds and are therefore subject to the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the outstanding Convertible Bonds.

In addition, as MCL, being a Substantial Shareholder, is a connected person of the Company under the GEM Listing Rules, the Proposed Terms to be effected by the Supplemental Deed also constitute a connected transaction of the Company and are subject to the reporting and announcement requirements, as well as approval by the Independent Shareholders at a general meeting of the Company at which MCL together with its associates will abstain from voting in respect of the resolutions approving the Proposed Terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider the Supplemental Deed and the transactions contemplated thereunder. As the independent financial adviser to the Independent Board Committees and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committees and the Independent Shareholders as to (i) whether or not the Supplemental Deed and the transactions contemplated thereunder are in the interests of the Company and Shareholders as a whole; (ii) whether or not the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable; and (iii) whether the Independent Shareholders should vote in favour of the resolutions to approve the Supplemental Deed and the transactions contemplated thereunder at the EGM.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the senior management staff of the Group contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Group and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to form a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

III. PRINCIPAL FACTORS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information and reason for the Supplemental Deed

As disclosed in the Company's announcement of 23 October 2007 and circular of 30 May 2008, the Company issued the Convertible Bonds in the aggregate principal amount of HK\$776,880,000 which can convert into Shares at the conversion price of HK\$0.1 per Conversion Share. Pursuant to their terms, any bondholder(s) cannot convert any principal amount of the Convertible Bonds into Conversion Shares if, upon such conversion, MCL and parties acting in concert with it shall be interested in 30% (or such amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion. All outstanding Convertible Bonds will mature on 12 August 2011. As at the Latest Practicable Date, the Convertible Bonds with an aggregate outstanding principal amount of HK\$484,880,000 was legally and beneficially owned by MCL. As set out in the Letter from the Board, the Proposed Terms effectively allows the Group to refinance the debts under the Convertible Bonds under the same terms for a further three-year period, and since the Convertible Bonds are of zero coupon, they will not incur any interest burden on the Group for the next three years.

We note that the existing Convertible Bonds will mature on 12 August 2011. Given the Conversion Restriction, MCL, who is currently interested in approximately 23.11% of issued share capital of the Company, is unlikely to be able to convert its holding of Convertible Bonds to any significant extent on or before the maturity date of the Convertible Bonds. On the other hand, based on the latest audited financial position of the Group as at 31 December 2010, it had net current liabilities of approximately HK\$413.5 million (as largely represented by the outstanding Convertible Bonds) and its cash and cash equivalents amounted to approximately HK\$68.6 million. Given such financial position of the Group, we also consider it unlikely for the Group to be able to repay the bondholder(s) in full as and when the Convertible Bonds become due on 12 August 2011. As such, we are of the view that the entering into of the Supplemental Deed will be able to allow the Company to defer its redemption obligation under the Convertible Bonds for at least the next three years, which is in the interests of the Company and the Shareholders as a whole.

2. The principal terms of the Supplemental Deed and the impact of the Proposed Terms

Pursuant to the Supplemental Deed:

- (i) the maturity date of the Convertible Bonds will be extended for three years from 12 August 2011 to 12 August 2014;
- (ii) the Company may, at its discretion, redeem the whole or part of the outstanding Convertible Bonds of the bondholders on a pro rata basis prior to their maturity date; and
- (iii) the Conversion Restriction will be removed.

The Supplemental Deed is conditional upon the following conditions:-

- (i) the Company having convened an extraordinary general meeting at which resolutions shall have been duly passed by the Independent Shareholders to approve and ratify the Supplemental Deed; and
- (ii) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of conversion rights under the outstanding Convertible Bonds.

The Proposed Terms will take effect as from 12 August 2011 subject to all the conditions of the Supplemental Deed having been fulfilled. If the conditions are not fulfilled before 12 August 2011, the parties to the Supplemental Deed will not be bound to proceed with the transactions contemplated under the Supplemental Deed and the Supplemental Deed will cease to have any effect. Apart from the Proposed Terms, all terms of the Convertible Bonds remain unchanged from the original terms.

The purposes of the Supplemental Deed are essentially to amend three aspects of the Convertible Bonds, namely, extending its maturity date, allowing the Company for early redemption and removing the Conversion Restriction with respect to mandatory general offer obligation. As regards the impact of the Proposed Terms, we are of the view that first of all, the extension of the maturity date is necessary as the original maturity date is 12 August 2011, which means the Convertible Bonds would become due and have to be settled soon. The extension of the maturity date of the Convertible Bonds for further three years will definitely provide the Company with more time to plan for and implement of the appropriate means of settlement in light of the operations and business developments of the Group as time goes by.

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As regards the inclusion of the Company's right to redeem the whole or part of the outstanding Convertible Bonds of the bondholders on a pro rata basis prior to their maturity date, we consider that it will allow the Company to have the flexibility to repay the whole or part of the outstanding Convertible Bonds before maturity in the event that to do so may be in the interests of the Company.

The last amendment, being the removal of the Conversion Restriction, will allow basically any bondholder(s) to convert any principal amount of the Convertible Bonds into Conversion Shares, which is only subject to the maintenance of minimum public float as required under the GEM Listing Rules. Effectively, the conversion of the Convertible Bonds will no longer be restricted to the condition that the shareholding of the bondholder immediately after conversion must not be more than 30%, being the level for triggering a mandatory general offer as currently specified in the Takeover Codes. In the event that any bondholder(s) becomes interested in more than 30% of the voting rights of the Company immediately after the conversion, it will generally be required to make a mandatory general offer for all the issued Shares (other than those already owned by or agreed to be acquired by it) pursuant to the Takeover Codes. From the Company's perspective, the removal of the Conversion Restriction will not have any material impact.

In summary, we are of the view that the extension of the maturity date of the Convertible Bonds for further three years and inclusion of the Company's right to redeem the whole or part of the outstanding Bonds prior to their maturity date under the Proposed Terms will be able to provide the Company with more time and flexibility to plan for a suitable method for the settlement of the Convertible Bonds. In addition, we are also of the view that the Supplemental Deed is in the ordinary and usual course of business of the Company and the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable.

3. The principal terms of the Convertible Bonds as supplemented by the Supplemental Deed

As mentioned above, apart from the Proposed Terms, all terms of the Convertible Bonds remain unchanged from the original terms. A summary of the principal terms of the Convertible Bonds after the Supplemental Deed becomes effective are as follows:-

Outstanding principal amount:	HK\$484,880,000
Interest:	Zero coupon

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- Conversion period:** Subject to the restrictions specified below, bondholders shall be entitled to convert the Convertible Bonds into the Conversion Shares at any time during the period commencing from the date of issue of the Convertible Bonds until the date that falls on the fifth day immediately before the maturity date.
- Restrictions in conversion:*
- There is no right for any bondholder(s) to convert any principal amount of the Convertible Bonds held by the bondholder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.
- Conversion Price:** HK\$0.10 per Conversion Share, subject to customary adjustments, among other things, sub-divisions and consolidations of the Shares, in accordance with the terms and conditions of the Convertible Bonds.
- Early redemption:** Upon the Supplemental Deed becoming effective, the Company may at any time during the period commencing from the date of issue of the Convertible Bonds to the maturity date of the Convertible Bonds to redeem the whole or part of the outstanding Convertible Bonds of the bondholder(s) on a pro rata basis.
- Ranking of Conversion Shares:** Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.
- Maturity:** The date falling on the sixth anniversary of the issue date, such date being a business day and if such date not being a business day, the immediately next business day. Unless previously converted or cancelled under the conditions of the Convertible Bonds, each Convertible Bond shall be redeemed at their principal amount on the maturity date. The original maturity date of 12 August 2011 is to be extended for 3 years to a new maturity date of 12 August 2014.

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- Voting rights:** The bondholders shall not have any right to attend or vote in any general meeting of the Company by virtue of their being bondholders.
- Transferability:** The Convertible Bonds are transferable from the date of issue of the Convertible Bonds until the date that falls on the tenth day before the maturity date, subject to the terms and conditions of the Convertible Bonds.
- Status:** General, unsecured obligations of the Company ranking equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for the obligations accorded preference by mandatory provisions of applicable laws.
- Listing:** No application will be made for the listing of the Convertible Bonds. Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the Convertible Bonds.

The Conversion Price of HK\$0.10 per Conversion Share represents:

- (i) a discount of approximately 19.36% to the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on 30 May 2011, being the last day of trading in the Shares on the Stock Exchange immediately prior to the entering into of the Supplemental Deed (the "Last Trading Day");
- (ii) a discount of approximately 19.61% to the average closing price of approximately HK\$0.1244 per Share for the last five trading days ended on the Last Trading Day;
- (iii) a discount of approximately 20.82% to the average closing price of approximately HK\$0.1263 per Share for the last ten trading days ended on the Last Trading Day;
- (iv) the closing price of HK\$0.10 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 14.94% over the audited consolidated net asset value of HK8.7 cents per Share as at 31 December 2010.

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In order to assess the fairness and reasonableness of the Convertible Bonds with respect to maturity, interest rate and conversion price, being the principal terms which we consider to be generally more important than others, we have attempted to compare them with those of other convertible notes or bonds issued recently (i.e. within six months prior to the date of the Supplemental Deed) by companies listed on the Stock Exchange with underlying businesses similar to that of the Group. In this connection, we have identified one such issue (the “Comparable”), details of which are summarised in the table below:

Date of announcement	Company name	Principal			Premium/(discount) of the initial conversion price with respect to:				
		amount (HK\$ million)	Maturity (Years)	Coupon (%)	(a) (%)	(b) (%)	(c) (%)	(d) (%)	(e) (%)
17 May 2011	China Grand Forestry Green Resources Group Limited (stock code: 910)	100.00	3	Nil	0.92	(2.22)	(3.08)	N/A	(52.89)
30 May 2011	the Company	484.88	3	Nil	(19.36)	(19.61)	(20.82)	Nil	14.94

Source: *website of the Stock Exchange – www.hkex.com.hk*

Notes:

- (a) being the share closing price as quoted on the Stock Exchange on the last trading day prior to the entering into of the relevant agreement.
- (b) being the average share closing price for the last five trading days prior to the entering into of the relevant agreement.
- (c) being the average share closing price for the last ten trading days prior to the entering into of the relevant agreement.
- (d) being the closing price of the Share as quoted on the Stock Exchange on the Latest Practicable Date.
- (e) being the consolidated net asset value per share as shown in the latest published annual/interim financial statements (as the case may be).

Interest rate

As shown in the above table, the interest rate of the Comparable is nil, which is same as the interest rate of the Convertible Bonds. Unlike bank debts that always carry interest, the Convertible Bonds will not result in any potential adverse impact on the cash flow of the Group. As such, we are of the view that the entering into of the Supplemental Deed to extend the Convertible Bonds with original non-interest bearing term is in the interests of the Company and the Shareholders as a whole.

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Maturity

The Comparable has a maturity of 3 years, which is same as the maturity of the Convertible Bonds. In this connection, we consider the maturity of the Convertible Bonds is in line with market practice.

Conversion Price

As shown in the above table, the Comparable has the conversion price which represents a premium over the share closing price as quoted on the Stock Exchange on the last trading day prior to the entering into of the relevant agreement, and a discount to the respective average share closing price for the last five and ten trading days. When compared to such percentages of the Comparable, the discounts as represented by the Conversion Price appear to be less favourable to the Company as they are substantially larger than the respective percentages of the Comparable. Nevertheless, when taken into account the closing price of HK\$0.10 per Share as at the Latest Practicable Date, there is no longer any discount as represented by the Conversion Price. Furthermore, if we evaluate the conversion price in terms of net asset value, the Conversion Price would seem to be more acceptable to the Company as it represents a premium of approximately 15% over the net asset value per Share whereas the conversion price of the Comparable represents a significant discount of over 50% to the net asset value.

In summary, based on the comparison with a recent issue by a peer company, the terms of the Convertible Bonds appear to be in line with the market as far as interest rate and maturity are concerned. While the Conversion Price represents a discount to the closing price per Share as at the Last Trading Day, such discount had fully diminished as at the Latest Practicable Date. In terms of net asset value, the Conversion Price appears to be much more favourable to the Company as it represents a premium rather than a discount as in the case of the Comparable. Accordingly, we are of the view that the terms of the Convertible Bonds as supplemented by the Supplemental Deed are on normal commercial terms and are fair and reasonable.

4. Other alternatives

Based on our discussion with the Directors and our review of the latest audited financial results of the Group for the year ended 31 December 2010, we are of the view that it is difficult, if not impossible, for the Group to make available equivalent amount for the redemption of the Convertible Bonds on their maturity date, i.e. 12 August 2011. As mentioned above, the Group had cash and cash equivalents of approximately HK\$68.6 million as at 31 December 2010 whereas the aggregate outstanding principal amount of the Convertible Bonds amounted to approximately HK\$484.9 million as at the Latest Practicable Date. We understand from the Directors that the Company currently does not have any banking facilities

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at all. With a net loss of approximately HK\$67.5 million for the year ended 31 December 2010 as well as the consecutive loss-making track record of the Company in the past, we agree on the Directors' view that it is highly unlikely for the Company to be able to obtain any banking facilities which would enable it to utilise so as to redeem the Convertible Bonds when they become due.

Besides, it might not be in the interests of the Company to utilise banking facilities to redeem any Convertible Bonds even if they were available as additional financing costs such as bank interest would be a substantial burden for the Company. In particular, we understand from the Directors that they have discussed with certain financial institutions regarding what the lending costs might be if the Company were to obtain any facilities from them. In this connection, one bank has indicated to the Company that the applicable interest rate would be Hong Kong prime rate plus 1% per annum. On this basis, if the Company were able to obtain any bank facilities to re-finance the Convertible Bonds with an outstanding principal amount of approximately HK\$484.9 million at all, it would undoubtedly incur a substantial financial burden as the interest charge per annum could amount to over HK\$30 million.

Having considered the existing operations and financial position of the Group, the Directors are of the view, which we concur with, that it is both prudent and appropriate that the Group should avoid incurring any bank liabilities. As the Proposed Terms will not alter the original non-interest bearing feature of the Convertible Bonds, the Group will not as a result of the extension of the maturity date of the Convertible Bonds incur any interest expenses for at least the next three years, which we consider to be in the interests of the Company and the Shareholders as a whole.

We also understand from the Directors that they have considered other means of fund raising such as private placement of Shares or rights issue. However, in view of the existing financial situation of the Group, it is also difficult for the Company to seek new equity capital from outside investors. In addition, the Directors consider that any private placement of Shares would be dilutive to the interests of the existing Shareholders in the Company as existing Shareholders might not be able to participate on an equitable basis. On the other hand, for rights issue which would be offered to all Shareholders on an equitable basis, the Directors consider it challenging to identify an independent third party who might be interested in underwriting such rights issue targeted to raise a substantial amount of fund. As confirmed by the Directors, they attempted but failed to find any brokerage house which was willing to act as underwriter to the Company in respect of share placement or rights issue.

In view of the practical difficulties as discussed above, we concur with the Directors' view that based on the existing financial situation of the Group, it appears that the entering into of the Supplemental Deed for the purpose of refinancing the debts under the Convertible Bonds under the same terms for a further three-year period represents the best available means of discharging the Company's obligation under the Convertible Bonds.

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5. Dilution effect of the Convertible Bonds

As at the Latest Practicable Date, the Independent Shareholders were interested in approximately 75.34% of the issued share capital of the Company. If the outstanding Convertible Bonds are fully converted at the initial conversion price of HK\$0.10 each, a maximum of 4,848,800,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds in full, which represents: (i) approximately 87.71% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 46.73% of the issued share capital of the Company as to be enlarged by the issue of the 4,848,800,000 Conversion Shares. In this connection, the aggregate shareholding interests of the Independent Shareholders in the Company will be reduced to approximately 40.14% immediately after the full conversion of the outstanding Convertible Bonds, representing a dilution of approximately 46.72% from their existing holdings of approximately 75.34% as at the Latest Practicable Date.

Having considered that (i) the Company does not appear to have other alternatives available to settle the Convertible Bonds that will become due on 12 August 2011 apart from entering into the Supplemental Deed to extend the original maturity date of the Convertible Bonds; and (ii) other than the extension of the maturity date, the inclusion of the early redemption right and the removal of the Conversion Restriction, all other terms of the Convertible Bonds remain unchanged from the original terms, we are of the view that the dilution on the shareholding interests of the Independent Shareholders in the Company is acceptable.

IV. RECOMMENDATION

Having considered the above, we are of the opinion that the Supplemental Deed and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the resolutions to approve the Supplemental Deed and the transactions contemplated thereunder at the EGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Executive Director

1. RESPONSIBILITY

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares and underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein, or are required pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors	Number of the Shares interested and nature of interest			Total	Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate			
Ma Hang Kon, Louis	9,800,000	–		9,800,000	0.18
Lai Wing Hung (<i>Note</i>)	75,000,000	1,277,680,000		1,352,680,000	24.47
Fung Hoi Wing, Henry	550,000	–		550,000	0.01

Note: Of the shareholdings in which Mr. Lai Wing Hung was interested, 1,277,680,000 Shares were held by MCL. Mr. Lai Wing Hung is deemed to be interested in such shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through his 30% personal shareholdings in MCL and through his 100% shareholdings in Merdeka Finance Group Limited, which in turn held 70% shareholdings in MCL as at the Latest Practicable Date. The remaining 75,000,000 Shares were beneficially owned by Mr. Lai Wing Hung personally.

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

Name of Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK\$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Ma Hang Kon, Louis	24/1/2011	24/10/2011 – 6/3/2012	0.078	40,000,000	40,000,000	0.72
Yeh Shuen Ji	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.36
Bai Baohua	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.36
Wong Shui Lung	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.36
Fung Hoi Wing, Henry	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.06
Lau Ho Wai, Lucas	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.06
Lam Kin Kau, Mark	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.06

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

Name of Director	Description of equity derivatives	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Lai Wing Hung	Convertible Bonds (Note)	484,880,000	4,848,800,000	87.71

Note: The Convertible Bonds, due on 12 August 2011, are unlisted, interest-free and convertible into the Shares at the conversion price of HK\$0.10 per share (subject to adjustment pursuant to the Convertible Bonds). Mr. Lai Wing Hung is deemed to be interested in such underlying shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through his 30% personal shareholding in MCL and through his 100% shareholding in Merdeka Finance Group Limited, which in turn held 70% shareholding in MCL as at the Latest Practicable Date.

Save as disclosed herein, as at the Latest Practicable Date, none of Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other persons' interests in Shares and underlying shares

As at the Latest Practicable Date, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and 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, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or Substantial Shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name of Shareholders	Capacity and nature of interest	Notes	Number of Shares interested	Approximate percentage of the total issued share capital of the Company (%)
MCL	Directly beneficially owned		1,277,680,000	23.11
Merdeka Finance Group Limited	Through a controlled corporation	1	1,277,680,000	23.11
Manistar	Directly beneficially owned		1,331,764,070	24.09
CCT Capital International Holdings Limited	Through a controlled corporation	2	1,331,764,070	24.09

Name of Shareholders	Capacity and nature of interest	Notes	Number of Shares interested	Approximate percentage of the total issued share capital of the Company (%)
CCT Telecom	Through a controlled corporation	2	1,331,764,070	24.09
Mak Shiu Tong, Clement	Directly beneficially owned and through a controlled corporation	2 and 3	1,351,108,070	24.44

Notes:

1. The 1,277,680,000 Shares were held by MCL, a subsidiary of Merdeka Finance Group Limited which is deemed to be interested in such Shares under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through its shareholding of 70% of the total issued share capital in MCL as at the Latest Practicable Date.
2. The Shares were held by Manistar, which is wholly-owned by CCT Capital International Holdings Limited which in turn is a wholly-owned subsidiary of CCT Telecom.
3. Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, 1,331,764,070 Shares were beneficially held by Manistar, an indirect wholly-owned subsidiary of CCT Telecom. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom through his controlling interest in the shareholding of CCT Telecom as at the Latest Practicable Date. The remaining 19,344,000 Shares were beneficially owned by Mr. Mak Shiu Tong, Clement personally.

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

Name of holder of the share options	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 (%)
Mak Shiu Tong, Clement	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.41

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

Name of the holder of the convertible bonds	Description of equity derivatives	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
MCL	Convertible Bonds (<i>Note</i>)	484,880,000	4,848,800,000	87.71
MFGL	Convertible Bonds (<i>Note</i>)	484,880,000	4,848,800,000	87.71

Note: The Convertible Bonds, due on 12 August 2011, are unlisted, interest-free and convertible into the Shares at the conversion price of HK\$0.10 per share (subject to adjustment pursuant to the Convertible Bonds). Merdeka Finance Group Limited is deemed to be interested in such underlying shares of the Company under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through its shareholding of 70% of the total issued share capital in MCL as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. SERVICE CONTRACTS

Each of the independent non-executive Directors was not appointed for any specified length of service with the Company but is subject to retirement by rotation in accordance with the Company's articles of association.

Each of the non-executive Directors has entered into an appointment letter with the Company for a term of two years.

Mr. Ma Hang Kon, Louis, the chief executive officer of the Company and an executive Director, has entered into a two-year service agreement with the Company with effect from 23 November 2010, pursuant to which he is entitled to a monthly basic salary of HK\$148,300 and a monthly rental reimbursement of HK\$35,000 by reference to his individual performance, prevailing economic situation and market practice, and

discretionary bonus for each completed year of service with the Company which will be determined at the sole and absolute discretion of the Board.

Mr. Lai Wing Hung, an executive Director, has entered into a two-year service agreement with the Company with effect from 23 November 2010, pursuant to which he is entitled to a monthly basic salary of HK\$100,000 by reference to his individual performance, prevailing economic situation and market practice, and discretionary bonus for each completed year of service with the Company which will be determined at the sole and absolute discretion of the Board.

Mr. Wong Shui Lung, an executive Director, has entered into a director's service contract with the Company for a term of two years commencing from 27 January 2011 and would continue thereafter until terminated by either party. Mr. Wong is entitled to a basic salary of approximately HK\$600,000 per annum which is determined after arm's length negotiation between the parties plus a discretionary bonus to be determined by the Board from time to time.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has a service contract with the Group or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with any business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December, 2010, being the date to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group. Save as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the IFA who has given its opinions or advice which are contained in this circular:

Name	Qualification
Investec Capital Asia Limited (formerly known as Access Capital Limited)	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity as set out in Schedule 5 to the SFO

As at the Latest Practicable Date, the IFA:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December, 2010, being the date up to which the latest published financial statements of the Group were made; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and/or report in the form and context in which they respectively appear.

The letter of advice given by the IFA to the Independent Board Committee and the Independent Shareholders was made on 15 June 2011 for incorporation in this circular.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its head office and principal place of business in Hong Kong is at Room 1903A, The Sun's Group Limited, No. 200 Gloucester Road, Wanchai, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Ltd. at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Room 1903A, The Sun's Group Limited, No. 200 Gloucester Road, Wanchai, Hong Kong, during normal business hours on any weekday (except for Saturday and public holidays) up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2009 and 2010;
- (iii) the interim report of the Company for the six months ended 30 June 2010;
- (iv) the Supplemental Deed;
- (v) the bond instrument in relation to the Convertible Bonds; and
- (iv) the letter from Investec Capital Asia Limited (formerly known as Access Capital Limited) dated 15 June 2011.

MERDEKA

MERDEKA RESOURCES HOLDINGS LIMITED

(萬德資源集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08163)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Merdeka Resources Holdings Limited (the “**Company**”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 4 July 2011 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Supplemental Deed (as defined in the circular to the shareholders of the Company dated 15 June 2011), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, the terms of the transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue such number of new shares of the Company as may be required to be allotted and issued upon the exercise of the conversion rights under the Convertible Bonds (as defined in the circular to the shareholders of the Company dated 15 June 2011), save that the mandate given under this resolution is in addition to, and shall not prejudice nor revoke any existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company prior to the passing of this resolution or such other general or specific mandate(s) which may from time to time be granted to the Directors on or after the passing of this resolution; and
- (c) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the Supplemental Deed and the transactions contemplated thereunder or otherwise in relation to the Supplemental Deed and the matters and the transactions contemplated thereunder.”

By order of the Board of
Merdeka Resources Holdings Limited
Ma Hang Kon, Louis
Chief Executive Officer

Hong Kong, 15 June 2011

* for identification purposes only

NOTICE OF THE EGM

Notes:

1. Any shareholder entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Ltd. at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the extraordinary general meeting (or any adjournment thereof).
3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the extraordinary general meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such joint holders may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the extraordinary general meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
5. As at the date hereof, the board of Directors comprises three executive Directors, namely, Mr. Ma Hang Kon, Louis (*Chief Executive Officer*), Mr. Lai Wing Hung and Mr. Wong Shui Lung, two non-executive Directors, namely, Mr. Yeh Shuen Ji (*Chairman*) and Mr. Bai Baohua and three independent non-executive Directors, namely, Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas.
6. A form of proxy for use at the extraordinary general meeting is enclosed herewith.