

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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

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

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Merdeka Resources Holdings Limited (the “Company”) and its subsidiaries (the “Group”) recorded a turnover of HK\$6,309,000 for the nine months ended 30 September 2011 which is attributable to sale of logs in forestry business and trading business (2010: HK\$6,715,000 from the trading business). Sale of logs started from March 2011 contributing to sales during the period. The gross profit increased to HK\$1,107,000 (2010: HK\$101,000) during this period resulted from sale of logs in Indonesia and trading sales, comparing with trading sale in Mainland China with lower gross profit in the last period.

The Group posted a loss of HK\$52,179,000 for the nine months ended 30 September 2011 (2010: HK\$45,759,000). The loss was mainly caused by the operating expenses of HK\$17,484,000 (2010: HK\$15,432,000); increased administrative expenses (HK\$7,564,000) due to increase in headcounts for administration as compared with last period (2010:HK\$4,734,000); non-cash equity-settled share option expenses of HK\$2,573,000 (2010:Nil); and the non-cash accounting imputed interest charge of HK\$25,684,000 (2010: HK\$25,747,000) on the liability component of the convertible bonds during the period under review.

BUSINESS REVIEW

During the period under review, the Group was 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.

The Group continues to make good progress during the period under review. The two sawmill factories and the veneer factory together with peripheral equipment have been up and running. We continue to building on the initial infrastructure including roads and bridges to support the forestry operations as well as the future plantation business. Steady progress has been made in the logging activity. We continue to upkeep the nursery with professional care for planting in the near future.

During the extraordinary general meeting of the shareholders of the Company held on 4 July 2011 (the “EGM”) , the independent shareholders attending the EGM passed, by way of poll, the resolution approving a supplemental deed entered by the Company with Merdeka Commodities Limited (“MCL”) to, among other things, extend the maturity date of the convertible bonds, that were issued by the Company to MCL on 12 August 2008 as part of consideration to acquire the forestry business (the “MCL Convertible Bonds”), to 12 August 2014. The conditional listing approval for shares that may be issued on exercise of the conversion rights attached to the MCL Convertible Bonds was granted by the Stock Exchange on 19 July 2011.

OUTLOOK

The Group is confident about the forestry and plantation resources business. Our rights to the forestland of over 300,000 hectares represent precious resources for the development of our future business. China’s continued robust economy and resurging timber import requirements provide strong market for the Group’s products. In view of the global demand for vegetable oil, especially from emerging countries, we believe the palm oil market will remain buoyant in the years to come.

UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

The Board of the Company is pleased to announce that the unaudited condensed consolidated quarterly results of the Group for the three months and the nine months ended 30 September 2011, together with the comparative unaudited figures for the corresponding period in 2010, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2011

	Note	Three months ended 30 September		Nine months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	2	1,496	2,274	6,309	6,715
Cost of sales		<u>(1,464)</u>	<u>(2,239)</u>	<u>(5,202)</u>	<u>(6,614)</u>
Gross profit		32	35	1,107	101
Other income		10	16	19	53
Operating expenses		(6,163)	(4,685)	(17,484)	(15,432)
Administrative expenses		(2,760)	(1,845)	(7,564)	(4,734)
Equity-settled share option expenses		(1,227)	–	(2,573)	–
Finance costs	3	<u>(8,279)</u>	<u>(8,623)</u>	<u>(25,684)</u>	<u>(25,747)</u>
LOSS BEFORE TAX		<u>(18,387)</u>	<u>(15,102)</u>	<u>(52,179)</u>	<u>(45,759)</u>
Income tax	4	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
LOSS FOR THE PERIOD		<u>(18,387)</u>	<u>(15,102)</u>	<u>(52,179)</u>	<u>(45,759)</u>
Loss attributable to:					
Owners of the Company		(17,869)	(14,446)	(50,241)	(43,805)
Non-controlling interests		<u>(518)</u>	<u>(656)</u>	<u>(1,938)</u>	<u>(1,954)</u>
		<u>(18,387)</u>	<u>(15,102)</u>	<u>(52,179)</u>	<u>(45,759)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6				
Basic		<u>(HK0.30 cents)</u>	<u>(HK0.27 cents)</u>	<u>(HK0.90 cents)</u>	<u>(HK0.84 cents)</u>
Diluted		<u>(HK0.30 cents)</u>	<u>(HK0.27 cents)</u>	<u>(HK0.90 cents)</u>	<u>(HK0.84 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2011

	Three months ended 30 September		Nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(18,387)	(15,102)	(52,179)	(45,759)
Other comprehensive income/(loss), after tax:				
Exchange difference on translating foreign operations	<u>–</u>	<u>374</u>	<u>–</u>	<u>(111)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(18,387)</u>	<u>(14,728)</u>	<u>(52,179)</u>	<u>(45,870)</u>
Total comprehensive loss attributable to:				
Owners of the Company	(17,869)	(14,072)	(50,241)	(43,916)
Non-controlling interests	<u>(518)</u>	<u>(656)</u>	<u>(1,938)</u>	<u>(1,954)</u>
	<u>(18,387)</u>	<u>(14,728)</u>	<u>(52,179)</u>	<u>(45,870)</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The unaudited condensed consolidated quarterly results should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2010 (the “2010 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 2010 Annual Report.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting period beginning on 1 January 2011. The adoption of such standards, amendments and interpretations does not have material financial effect on this quarterly results.

The unaudited condensed consolidated quarterly results of the Group for the nine months ended 30 September 2011 have been reviewed by the Company’s audit committee (the “Audit Committee”).

2. REVENUE

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

An analysis of revenue is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2011 (Unaudited) HK\$’000	2010 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000	2010 (Unaudited) HK\$’000
Sale of logs attributable to the forestry business	–	–	4,813	–
Sale of goods attributable to the trading business	1,496	2,274	1,496	6,715
	<u>1,496</u>	<u>2,274</u>	<u>6,309</u>	<u>6,715</u>

3. FINANCE COSTS

The charge represents the imputed interest on the liability component of the convertible bonds for the nine months ended 30 September 2011 and 2010.

4. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period under review (2010: Nil). Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2010: Nil).

There was no income tax relating to the other comprehensive income during the period under review (2010: Nil).

5. DIVIDEND

No quarterly dividend has been paid or declared by the Company or any of its subsidiaries during the nine months ended 30 September 2011 (2010: Nil).

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the three months and nine months ended 30 September 2011 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		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Loss</u>				
Loss attributable to owners of the Company	<u>(17,869)</u>	<u>(14,446)</u>	<u>(50,241)</u>	<u>(43,805)</u>
<u>Shares</u>				
Weighted average number of ordinary shares in issue during the period	<u>5,887,420,739</u>	<u>5,328,149,000</u>	<u>5,562,189,293</u>	<u>5,206,940,209</u>

No adjustment has been made to the basic loss per share presented for the nine months ended 30 September 2011 and 2010 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.

7. MOVEMENT IN RESERVES

	Attributable to owners of the Company						
	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of convertible bonds (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2011	463,568	66,710	95,614	12,915	49	(266,137)	372,719
Total comprehensive loss for the period	-	-	-	-	-	(50,241)	(50,241)
Issue of new shares upon conversion of the convertible bonds	78,871	-	(13,730)	-	-	-	65,141
Equity-settled share option arrangement	-	-	-	2,573	-	-	2,573
Issue of new shares upon exercise of share options	2,391	-	-	(977)	-	-	1,414
Forfeiture of share options	-	-	-	(327)	-	327	-
At 30 September 2011	<u>544,830</u>	<u>66,710</u>	<u>81,884</u>	<u>14,184</u>	<u>49</u>	<u>(316,051)</u>	<u>391,606</u>
At 1 January 2010	412,400	66,710	105,083	13,643	478	(202,208)	396,106
Total comprehensive loss for the period	-	-	-	-	(111)	(43,805)	(43,916)
Issue of new shares upon conversion of the convertible bonds	49,880	-	(9,469)	-	-	-	40,411
Issue of new shares upon exercise of share options	1,288	-	-	(363)	-	-	925
At 30 September 2010	<u>463,568</u>	<u>66,710</u>	<u>95,614</u>	<u>13,280</u>	<u>367</u>	<u>(246,013)</u>	<u>393,526</u>

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2011, 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 Rule 5.46 of the GEM Listing Rules:

Interests and short positions in the shares and the underlying shares of the share options of the Company as at 30 September 2011

(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	–	–	–	0.16
Lai Wing Hung (<i>Note</i>)	75,000,000	1,277,680,000	1,352,680,000	–	22.16
Fung Hoi Wing, Henry	550,000	–	–	–	0.01

Note: Of the shareholdings in which Mr. Lai Wing Hung was interested, 1,277,680,000 shares of the Company 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 ("MFGL"), which in turn held 70% shareholdings in MCL as at 30 September 2011. The remaining 75,000,000 shares of the Company 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	0.66
Yeh Shuen Ji	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.33
Bai Baohua	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.33
Wong Shui Lung	6/4/2011	24/10/2011 – 6/3/2012	0.143	20,000,000	20,000,000	0.33
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 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 (%)
Lai Wing Hung	MCL Convertible Bonds (<i>Note</i>)	432,380,000	4,323,800,000	70.84

Note: The MCL Convertible Bonds, originally due on 12 August 2011 and extended to 12 August 2014, are unlisted, interest-free and convertible into the shares of the Company at the conversion price of HK\$0.10 per share of the Company (subject to adjustment pursuant to the MCL 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 MFGL, which in turn held 70% shareholding in MCL as at 30 September 2011.

Save as disclosed above, as at 30 September 2011, 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 Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in Shares and Underlying Shares" above and "Share Option Scheme" below, at no time during the period for the nine months ended 30 September 2011 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

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

As at 30 September 2011, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Long positions in the shares of the Company

Name of shareholders	Capacity and nature of interest	Notes	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
MCL	Directly beneficially owned		1,277,680,000	20.93
MFGL	Through a controlled corporation	1	1,277,680,000	20.93
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned		1,331,764,070	21.82
CCT Capital International Holdings Limited	Through a controlled corporation	2	1,331,764,070	21.82
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	2	1,331,764,070	21.82
Mak Shiu Tong, Clement	Directly beneficially owned and through a controlled corporation	2 and 3	1,365,248,070	22.37

Notes:

1. The 1,277,680,000 shares of the Company were held by MCL, a subsidiary of Merdeka Finance Group Limited which is deemed to be interested in such 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 30 September 2011.
2. The shares of the Company 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 of the Company 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 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 CCT Telecom through his controlling interest in the shareholding of CCT Telecom as at 30 September 2011. The remaining 33,484,000 shares of the Company were beneficially owned by Mr. Mak Shiu Tong, Clement personally.

(ii) 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	MCL Convertible Bonds (Note)	432,380,000	4,323,800,000	70.84
MFGL	MCL Convertible Bonds (Note)	432,380,000	4,323,800,000	70.84

Note: The MCL Convertible Bonds, originally due on 12 August 2011 and extended to 12 August 2014, are unlisted, interest-free and convertible into the shares of the Company at the conversion price of HK\$0.10 per share of the Company (subject to adjustment pursuant to the MCL 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 30 September 2011.

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 30 September 2011, 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 effective on 7 March 2002. 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. During the period for the nine months ended 30 September 2011, a total of 50,500,000 share options were exercised resulting in the issue of an aggregate of 50,500,000 shares of HK\$0.01 each to the respective option holders on 5 August 2011. Furthermore, a total of 8,000,000 share options held by an option holder were lapsed on 13 August 2011.

As at 30 September 2011, excluding the March Grant (as defined below), there were 307,000,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 307,000,000, which represents approximately 5.03% and 5.03% of the total issued share capital of the Company as at 30 September 2011 and the date of this announcement respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 307,000,000 additional ordinary shares of the Company, additional share capital of HK\$3,070,000 and share premium of HK\$41,436,000 (before the share issue expenses).

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

Name or category of the participants	Number of share options				Outstanding as at 30 September 2011	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1) HK\$ per share	Price of the shares before the date of grant (Note 2) HK\$ per share
	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					
Executive director									
Ma Hang Kon, Louis	-	40,000,000	-	-	40,000,000	24/1/2011	24/10/2011 – 6/3/2012	0.078	0.076
Wong Shui Lung (Note 3)	-	20,000,000	-	-	20,000,000	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
	-	60,000,000	-	-	60,000,000				
Non-executive directors									
Yeh Shuen Ji (Note 3)	-	20,000,000	-	-	20,000,000	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
Bai Baohua (Note 3)	-	20,000,000	-	-	20,000,000	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
	-	40,000,000	-	-	40,000,000				
Independent non-executive directors									
Fung Hoi Wing, Henry	3,500,000	-	-	-	3,500,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
Lau Ho Wai, Lucas	3,500,000	-	-	-	3,500,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
Lam Kin Kau, Mark	3,500,000	-	-	-	3,500,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	10,500,000	-	-	-	10,500,000				

Name or category of the participants	Number of share options				Outstanding as at 30 September 2011	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1) HK\$ per share	Price of the shares before the date of grant (Note 2) HK\$ per share
	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					
Employees and other eligible participants									
Employees (Note 3)	-	3,000,000	-	-	3,000,000	24/1/2011	24/10/2011 – 6/3/2012	0.078	0.076
	-	4,000,000	-	-	4,000,000	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
Other eligible participants	50,500,000	-	50,500,000	-	0	5/7/2006	14/8/2006 – 13/8/2011	0.038	0.035
	4,000,000	-	-	4,000,000	0	14/11/2008	14/5/2009 – 13/8/2011	0.116	0.112
	4,000,000	-	-	4,000,000	0	14/11/2008	14/11/2009 – 13/8/2011	0.116	0.112
	9,500,000	-	-	-	9,500,000	7/7/2009	7/7/2009 – 6/3/2012	0.160	0.157
	180,000,000	-	-	-	180,000,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	<u>248,000,000</u>	<u>7,000,000</u>	<u>50,500,000</u>	<u>8,000,000</u>	<u>196,500,000</u>				
	<u>258,500,000</u>	<u>107,000,000</u>	<u>50,500,000</u>	<u>8,000,000</u>	<u>307,000,000</u>				

Notes:

- The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital.*
- 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.*
- During the period, a total of 64,000,000 share options were granted to Mr. Yeh Shuen Ji, Mr. Bai Baohua and Mr. Wong Shui Lung and two employees on 25 March 2011 ("March Grant") but were subsequently cancelled and re-granted on 6 April 2011 pursuant to the requirements of the GEM Listing Rules.*

Save as disclosed above, at the date of approval of these unaudited condensed consolidated third quarterly financial statements, no share options were exercised subsequent to the balance sheet date.

During the period for the nine months ended 30 September 2011, a total of 107,000,000 share options were granted by the Company on 24 January 2011 and 6 April 2011 respectively, among which 100,000,000 share options were granted to four directors of the Company. The directors of the Company have estimated the following theoretical valuations of the said 107,000,000 share options granted under the Share Option Scheme during the period, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

Name of grantees	Number of share options granted during the period	Theoretical value of the share options HK\$
Ma Hang Kon, Louis	40,000,000	698,605
Wong Shui Lung	20,000,000	665,400
Yeh Shuen Ji	20,000,000	665,400
Bai Baohua	20,000,000	665,400
Others	7,000,000	185,475
	<u>107,000,000</u>	<u>2,880,280</u>

The fair value of the share options granted during the period for the nine months ended 30 September 2011 was HK\$2,880,280 (30 September 2010: Nil) of which the Group recognised a share option expense of HK\$2,573,360 (30 September 2010: Nil) during the period.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.00
Expected volatility (%)	59 – 69
Historical volatility (%)	59 – 69
Risk-free interest rate (%)	0.23 – 0.28
Expected life of share options (year)	0.73 – 0.93
Closing share price at grant date (HK\$)	0.078 – 0.143

The expected life of the share options is based on management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the period for the nine months ended 30 September 2011.

AUDIT COMMITTEE

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

The Audit Committee consists of three members comprising three independent non-executive directors, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The chairman of the Audit Committee is elected by the members who are present at the meeting. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board’s strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 2011.

BOARD OF DIRECTORS

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

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

By Order of the Board of
MERDEKA RESOURCES HOLDINGS LIMITED
Ma Hang Kon, Louis
Chief Executive Officer

Hong Kong, 10 November 2011

This announcement 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 websites of the Company at www.merdeka.com.hk and <http://www.irasia.com/listco/hk/merdeka>.