

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: 8163)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2012

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

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This announcement, for which the directors of Merdeka 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, 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

BUSINESS REVIEW

During the three months ended 31 March 2012, the principal businesses of Merdeka Resources Holdings Limited (the “Company”) and its subsidiaries (the “Group”) continued to be forestry, plantation and trading. There were no significant changes in the macro business environment of the Group’s business. General demand for forestry products continued to be strong and market prices of timber and palm oil remain buoyant.

OPERATION REVIEW

During the period under review, the Group made steady progress in its forestry business. Productivity of our sawmill has improved during the period. Our in-house team continued to take care of the palm oil seedlings for the plantation business. As for the trading business, the Group recorded sales of approximately HK\$2,039,000 for the three months ended 31 March 2012.

FINANCIAL RESULTS

Revenue of the Group for the three months ended 31 March 2012, which was generated from the trading business, increased by 6.3% as compared to the corresponding period in 2011, which was generated from the logging activities of forestry business. As the trading business has a lower profit margin than the forestry business, the gross profit margin of the Group decreased to approximately 2% or HK\$43,000 for this period from approximately 7% or HK\$142,000 for the corresponding period last year. The Group recorded a loss of approximately HK\$15,793,000 for the first quarter of 2012. The loss remained at a similar level compared to that of 2011, as the increase in operating and administrative expenses by approximately HK\$755,000 was offset by the decrease in finance cost and share option expenses by approximately HK\$509,000 and HK\$184,000, respectively. Such finance cost solely represented the non-cash imputed interest charge on the liability component of the Group’s convertible bonds. Its decrease was mainly due to the decrease in average balance of the liability component during the first quarter of 2012, when compared to that of 2011. For the three months ended 31 March 2012, no equity-settled share option expense was recorded (2011: approximately HK\$184,000). On 6 March 2012, the Company’s existing share option scheme expired. All outstanding share options thereunder lapsed due to the expiry of the option periods and the corresponding share option reserve was released directly to the accumulated losses.

ADOPTION OF NEW SHARE OPTION SCHEME AND RE-ELECTION OF DIRECTORS

As approved by the shareholders of the Company in the annual general meeting held on 3 May 2012, the Company adopted a new share option scheme. In the same general meeting, Mr. Fung Hoi Wing, Henry, Mr. Lau Ho Wai, Lucas and Mr. Ma Hang Kon, Louis were re-elected as the directors of the Company.

OUTLOOK

While the forestry and plantation businesses were still in the developing stage, the Group is confident that its business model with a combination of these two businesses can provide it with sustainable long term growth opportunities. China’s continued economic growth and surging timber and vegetable oil demands will provide strong support for the Group’s products. The management will continue to work on streamlining and refining our operations and to consider any suitable business opportunities, taking into account the cash flow requirement and associated business risk.

UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2012

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2012, together with the comparative unaudited figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2012

	<i>Note</i>	Three months ended 31 March	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	2	2,039	1,919
Cost of sales		<u>(1,996)</u>	<u>(1,777)</u>
Gross profit		43	142
Other income and other net gains		76	8
Operating and administrative expenses		(7,739)	(6,984)
Equity-settled share option expenses		–	(184)
Finance costs	3	<u>(8,173)</u>	<u>(8,682)</u>
LOSS BEFORE TAX		(15,793)	(15,700)
Income tax	4	<u>–</u>	<u>–</u>
LOSS FOR THE PERIOD		<u>(15,793)</u>	<u>(15,700)</u>
Loss attributable to:			
Owners of the Company		(15,241)	(15,019)
Non-controlling interests		<u>(552)</u>	<u>(681)</u>
		<u>(15,793)</u>	<u>(15,700)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	6	<u>(HK0.23 cents)</u>	<u>(HK0.28 cents)</u>

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012

	Three months ended	
	31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(15,793)	(15,700)
Other comprehensive loss, after tax:		
Exchange difference on translating of financial statements of overseas subsidiaries	(6)	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(15,799)</u>	<u>(15,700)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(15,247)	(15,019)
Non-controlling interests	<u>(552)</u>	<u>(681)</u>
	<u>(15,799)</u>	<u>(15,700)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2012

	Attributable to owners of the Company										
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of convertible bonds			Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				convertible	Share option reserve (Unaudited) HK\$'000	bonds					
At 1 January 2011	53,281	463,568	66,710	95,614	12,915	49	(266,137)	426,000	37,741	463,741	
Changes in equity for 2011:											
Loss for the period	-	-	-	-	-	-	(15,019)	(15,019)	(681)	(15,700)	
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	
Total comprehensive loss	-	-	-	-	-	-	(15,019)	(15,019)	(681)	(15,700)	
Equity-settled share option arrangements	-	-	-	-	184	-	-	184	-	184	
At 31 March 2011	<u>53,281</u>	<u>463,568</u>	<u>66,710</u>	<u>95,614</u>	<u>13,099</u>	<u>49</u>	<u>(281,156)</u>	<u>411,165</u>	<u>37,060</u>	<u>448,225</u>	
At 1 January 2012	63,786	555,588	66,710	51,732	14,491	28	(171,741)	580,594	35,372	615,966	
Changes in equity for 2012:											
Loss for the period	-	-	-	-	-	-	(15,241)	(15,241)	(552)	(15,793)	
Other comprehensive loss	-	-	-	-	-	(6)	-	(6)	-	(6)	
Total comprehensive loss	-	-	-	-	-	(6)	(15,241)	(15,247)	(552)	(15,799)	
Issue of new shares upon conversion of convertible bonds	4,100	32,080	-	(5,239)	-	-	-	30,941	-	30,941	
Forfeiture of share options	-	-	-	-	(14,491)	-	14,491	-	-	-	
At 31 March 2012	<u>67,886</u>	<u>587,668</u>	<u>66,710</u>	<u>46,493</u>	<u>-</u>	<u>22</u>	<u>(172,491)</u>	<u>596,288</u>	<u>34,820</u>	<u>631,108</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 (“HKFRS”) (which also include the Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention. These unaudited condensed consolidated quarterly results are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except where 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 2011 (“2011 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s 2011 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 2012. 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 three months ended 31 March 2012 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 three-month period under review.

An analysis of revenue is as follows:

	Three months ended	
	31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Sale of goods attributable to the trading business	2,039	–
Sale of logs attributable to the forestry business	–	1,919
	2,039	1,919

3. FINANCE COSTS

The charge represents the imputed interest on the liability component of the convertible bonds for the three months ended 31 March 2012 and 2011.

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 (2011: Nil). Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2011: Nil).

There was no income tax relating to the other comprehensive income during the period (2011: Nil).

5. DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries during the three months ended 31 March 2012 (2011: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the three months ended 31 March 2012 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	
	31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>Loss for the period</u>		
Loss attributable to owners of the Company:	15,241	15,019
	6,726,561	5,328,149
	Number of shares	
	(thousands)	
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	6,726,561	5,328,149

No adjustment has been made to the basic loss per share presented for the three months ended 31 March 2012 and 2011 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2012, 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 convertible bonds of the Company as at 31 March 2012

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

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate	Total	
Ma Hang Kon, Louis	9,800,000	–	9,800,000	0.14
Lai Wing Hung (<i>Note</i>)	75,000,000	1,277,680,000	1,352,680,000	19.93
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 of the Company were held by Merdeka Commodities Limited ("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 31 March 2012. 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 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>)	339,880,000	3,398,800,000	50.07

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 31 March 2012.

Save as disclosed above, as at 31 March 2012, 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 three months ended 31 March 2012 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

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

As at 31 March 2012, 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	18.82
MFGL	Through a controlled corporation	1	1,277,680,000	18.82
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned		1,331,764,070	19.62
CCT Capital International Holdings Limited	Through a controlled corporation	2	1,331,764,070	19.62
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	2	1,331,764,070	19.62
Mak Shiu Tong, Clement	Through a controlled corporation	2 and 3	1,331,764,070	19.62

Notes:

1. The 1,277,680,000 shares of the Company were held by MCL, a subsidiary of MFGL 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 31 March 2012.
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. The interest disclosed represents 1,331,764,070 shares of the Company 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 31 March 2012.

(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 <i>(Note)</i>	339,880,000	3,398,800,000	50.07
MFGL	MCL convertible bonds <i>(Note)</i>	339,880,000	3,398,800,000	50.07

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). MFGL 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 31 March 2012.

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 31 March 2012, 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. On 6 March 2012, the Company’s existing share option scheme expired. All the outstanding share options thereunder lapsed because of the expiry of the option period.

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 31 March 2012	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 2012	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	20,000,000	-	-	20,000,000	-	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
	<u>60,000,000</u>	<u>-</u>	<u>-</u>	<u>60,000,000</u>	<u>-</u>				
Non-executive directors									
Yeh Shuen Ji	20,000,000	-	-	20,000,000	-	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
Bai Baohua	20,000,000	-	-	20,000,000	-	6/4/2011	24/10/2011 – 6/3/2012	0.143	0.127
	<u>40,000,000</u>	<u>-</u>	<u>-</u>	<u>40,000,000</u>	<u>-</u>				
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
	<u>10,500,000</u>	<u>-</u>	<u>-</u>	<u>10,500,000</u>	<u>-</u>				
Employees and other eligible participants									
Employees	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	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>196,500,000</u>	<u>-</u>	<u>-</u>	<u>196,500,000</u>	<u>-</u>				
	<u>307,000,000</u>	<u>-</u>	<u>-</u>	<u>307,000,000</u>	<u>-</u>				

Notes:

1. *The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital.*
2. *The price of the shares of the Company before the date of the grant of the share options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.*

Subsequent to the end of the period under review, the Company adopted a new share option scheme on 3 May 2012.

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 three months ended 31 March 2012.

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 first quarterly results of the Group for the three months ended 31 March 2012.

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, 14 May 2012

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its publication and posting and will be published and remains on the websites of the Company at <http://www.merdeka.com.hk> and <http://www.irasia.com/listco/hk/merdeka>.