

MERDEKA

Merdeka Resources Holdings Limited

萬德資源集團有限公司*

STOCK CODE 股份代號：8163

* for identification purposes only

* 僅供識別

THIRD QUARTERLY REPORT 2012

二零一二年第三季度報告

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This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)的特色

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

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

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本報告乃遵照聯交所創業板證券上市規則(「創業板上市規則」)的規定而刊載，旨在提供有關Merdeka Resources Holdings Limited(萬德資源集團有限公司*)(「本公司」)之資料，本公司各董事願共同及個別對此承擔全部責任。各董事經作出一切合理查詢後，確認就彼等所深知及確信，本報告所載資料在一切重大方面均屬準確及完整，且無誤導或欺詐成分，且並無遺漏任何其他事實，致使本報告或其所載任何陳述產生誤導。

* 僅供識別

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 September 2012, the principal businesses of Merdeka Resources Holdings Limited (the “Company”) and its subsidiaries (the “Group”) continued to be forestry, plantation and trading. There was no turnaround in the Group’s unfavourable macro environment and the outlook of the global economy was still quite pessimistic. Our production and operation continues to be challenging.

OPERATION REVIEW

During the period under review, in view of the uncertain prospects and business political environment, the management focused on streamlining and refining the Group’s forestry and plantation businesses. In respect of our trading business, the Group recorded sales of approximately HK\$5,863,000.

In order to diversify into a new stream of income generating business, on 19 July 2012, the Group agreed to acquire 0.8 million metric tonnes of tailings in Indonesia at the consideration of HK\$6 million, satisfied by the issuance of 400 million new shares of the Company. The relevant agreement became effective on 3 August 2012 for the tailings to be delivered within 24 months.

FINANCIAL REVIEW

Revenue of the Group for the nine months ended 30 September 2012, which was solely generated from the trading business, dropped by 7.1% as compared to the corresponding period in 2011, which was generated from both the trading business and 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 notably decreased to approximately 2% or HK\$123,000 for this period from approximately 17.5% or HK\$1,107,000 for the corresponding period last year. Nevertheless, the loss for the nine months ended 30 September 2012 reduced by approximately HK\$9,355,000 from that of 2011 to approximately HK\$42,824,000, as the decrease in gross profit was more than offset by the decreases in operating and administrative expenses, finance cost and share option expenses by approximately HK\$4,025,000, HK\$4,265,000 and HK\$1,599,000 respectively. Reduction in operating and administrative expenses was mainly achieved by streamlining and refining the Group’s forestry and plantation businesses. A one-time restructuring cost of approximately HK\$800,000 has been charged to the profit and loss account during the period. The decrease in finance cost, which solely represented the non-cash imputed interest charge in the liability component of the Group’s convertible bonds, was mainly due to the decrease in average balance of the liability component during the nine months ended 30 September 2012 when certain convertible bonds were converted into shares of the Company. On 30 May 2012, 83,500,000 share options were granted under the new share option scheme effective from 3 May 2012. Accordingly, share option expense of approximately HK\$974,000 was charged in 2012.

CHANGE OF BOARD OF DIRECTORS

On 24 August 2012, Mr. Cheung Wai Yin, Wilson was appointed as the Chairman, Chief Executive Officer and an executive director of the Company and Mr. Ma Hang Kon, Louis was re-designated as an executive director of the Company. On the same day, Mr. Lau Chi Yan, Pierre and Mr. Wong Chi Man were appointed as an executive director and a non-executive director of the Company respectively. On 26 October 2012, Mr. Fung Hoi Wing, Henry resigned and Ms. Yeung Mo Sheung, Ann was appointed as an independent non-executive director of the Company.

OUTLOOK

After the change of board of directors of the Company, the new management has been actively looking for opportunities to further broaden the sources of revenues and cash inflows of the Group. On 6 September 2012, the Group entered into an agreement to acquire 70% interest of Ever Hero Group, at the consideration of HK\$100 million, which will be satisfied by HK\$20 million cash, HK\$45 million interest bearing promissory note and HK\$35 million zero coupon convertible bonds. This proposed very substantial acquisition is subject to the satisfaction of several conditions, including the approval of the shareholders of the Company. The principal activity of Ever Hero Group is to provide information technology solution, online and offline game and content development, and enterprise system maintenance services. We believe the successful completion of its acquisition will not only have a positive impact on the Group's financial performance for the coming financial year but also provide a good diversification. We will continue to consider any suitable business opportunities, taking into account the cash flow requirement and associated business risk.

UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

The board of directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and the nine months ended 30 September 2012, together with the comparative unaudited figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2012

	Note	Three months ended 30 September		Nine months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	2	1,914	1,496	5,863	6,309
Cost of sales		(1,875)	(1,464)	(5,740)	(5,202)
Gross profit		39	32	123	1,107
Other income and other net gains		334	10	469	19
Operating and administrative expenses		(6,390)	(8,923)	(21,023)	(25,048)
Equity-settled share option expenses		-	(1,227)	(974)	(2,573)
Finance costs	3	(5,406)	(8,279)	(21,419)	(25,684)
LOSS BEFORE TAX		(11,423)	(18,387)	(42,824)	(52,179)
Income tax	4	-	-	-	-
LOSS FOR THE PERIOD		(11,423)	(18,387)	(42,824)	(52,179)
Loss attributable to:					
Owners of the Company		(10,924)	(17,869)	(41,290)	(50,241)
Non-controlling interests		(499)	(518)	(1,534)	(1,938)
		(11,423)	(18,387)	(42,824)	(52,179)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6				
Basic and diluted		(HK0.13 cents)	(HK0.30 cents)	(HK0.56 cents)	(HK0.90 cents)

Details of the dividend payable and proposed for the periods are disclosed in Note 5.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the nine months ended 30 September 2012*

	Three months ended		Nine months ended	
	30 September		30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(11,423)	(18,387)	(42,824)	(52,179)
Other comprehensive income/(loss), after tax:				
Exchange difference on translating of financial statement of overseas subsidiaries	–	–	(6)	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(11,423)	(18,387)	(42,830)	(52,179)
Total comprehensive loss attributable to:				
Owners of the Company	(10,924)	(17,869)	(41,296)	(50,241)
Non-controlling interests	(499)	(518)	(1,534)	(1,938)
	(11,423)	(18,387)	(42,830)	(52,179)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012

	Attributable to owners of the Company									
	Issued capital	Share premium account	Contributed surplus	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	-	-	(50,241)	(50,241)	(1,938)	(52,179)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	(50,241)	(50,241)	(1,938)	(52,179)
Issue of new shares upon conversion of convertible bonds	2,000	78,871	-	(13,730)	-	-	-	67,141	-	67,141
Equity-settled share option arrangements	-	-	-	-	2,573	-	-	2,573	-	2,573
Issue of new shares upon exercise of share options	-	2,391	-	-	(977)	-	-	1,414	-	1,414
Forfeiture of share options	-	-	-	-	(327)	-	327	-	-	-
At 30 September 2011	55,281	544,830	66,710	81,884	14,184	49	(316,051)	446,887	35,803	482,690
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	-	-	-	-	-	-	(41,290)	(41,290)	(1,534)	(42,824)
Other comprehensive loss	-	-	-	-	-	(6)	-	(6)	-	(6)
Total comprehensive loss	-	-	-	-	-	(6)	(41,290)	(41,296)	(1,534)	(42,830)
Issue of new shares upon conversion of convertible bonds	18,000	146,276	-	(22,999)	-	-	-	141,277	-	141,277
Forfeiture of share options	-	-	-	-	(14,491)	-	14,491	-	-	-
Equity-settled share option arrangements	-	-	-	-	974	-	-	974	-	974
Equity-settled share-based transactions	4,000	2,000	-	-	-	-	-	6,000	-	6,000
At 30 September 2012	85,786	703,864	66,710	28,733	974	22	(198,540)	687,549	33,838	721,387

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 (“HK\$”) 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 2011 (the “2011 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the 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 nine months ended 30 September 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 nine-month period under review.

An analysis of revenue is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Sale of logs attributable to the forestry business	–	–	–	4,813
Sale of goods attributable to the trading business	1,914	1,496	5,863	1,496
	1,914	1,496	5,863	6,309

3. FINANCE COSTS

The charge represents the imputed interest on the liability component of the convertible bonds for the nine months ended 30 September 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 under review (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 under review (2011: 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 2012 (2011: Nil).

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and nine months ended 30 September 2012 and the weighted average number of ordinary shares in issue during the period.

The calculation of basic loss per share is based on:

	Three months ended 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<u>Loss</u>				
Loss attributable to owners of the Company	(10,924)	(17,869)	(41,290)	(50,241)
	Number of shares (thousands)			
<u>Shares</u>				
Weighted average number of ordinary shares in issue during the period	8,302,794	5,887,421	7,366,167	5,562,189

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 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 share options and the convertible bonds of the Company as at 30 September 2012

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

Name of directors	Notes	Number of the shares interested and nature of interest		Total	Approximate percentage of the total issued share capital of the Company (%)
		Personal	Corporate		
Cheung Wai Yin, Wilson	1	–	1,500,000,000	1,500,000,000	17.49
Ma Hang Kon, Louis		9,800,000	–	9,800,000	0.11
Fung Hoi Wing, Henry	2	550,000	–	550,000	0.01

Notes:

- Mr. Cheung Wai Yin, Wilson has on 24 August 2012 obtained from Merdeka Commodities Limited ("MCL"), a company which was 100% held by Mr. Ma Hang Kon, Louis directly and indirectly at that time, these shares through Ivana Investments Limited ("Ivana") which is controlled by him through his 100% direct interests in Ivana.
- The director resigned on 26 October 2012.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 September 2012 *(continued)*

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

Name of directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK\$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Ma Hang Kon, Louis	30/5/2012	30/5/2012 – 29/5/2022	0.017	60,000,000	60,000,000	0.70
Fung Hoi Wing, Henry <i>(Note)</i>	30/5/2012	30/5/2012 – 29/5/2022	0.017	3,500,000	3,500,000	0.04
Lau Ho Wai, Lucas	30/5/2012	30/5/2012 – 29/5/2022	0.017	3,500,000	3,500,000	0.04
Lam Kin Kau, Mark	30/5/2012	30/5/2012 – 29/5/2022	0.017	3,500,000	3,500,000	0.04

Note: The director resigned on 26 October 2012.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 September 2012 *(continued)*

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

Name of the holder of the convertible bonds	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Cheung Wai Yin, Wilson <i>(Note)</i>	189,880,000	1,898,800,000	22.13

Note: Mr. Cheung Wai Yin, Wilson has on 24 August 2012 obtained from MCL these convertible bonds through Ivana which is controlled by him through his 100% direct interests in Ivana. These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014) were issued by the Company to MCL on 12 August 2008 as part of the consideration to acquire the forestry business. They are unlisted, interest-free and convertible into the shares of the Company at the conversion price of HK\$0.10 per share of the Company (subject to adjustment according to the terms of the convertible bonds).

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 30 September 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 (%)
Ivana	Directly beneficially owned	1	1,500,000,000	17.49
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned		1,331,764,070	15.52
CCT Capital International Holdings Limited	Through a controlled corporation	2	1,331,764,070	15.52
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	2	1,331,764,070	15.52
Mak Shiu Tong, Clement	Through a controlled corporation	2 and 3	1,331,764,070	15.52

Notes:

- Ivana has financial arrangement with Good Profit Capital Limited ("Good Profit") over these 1,500,000,000 shares, in which Good Profit has security interest over the same block of 1,500,000,000 shares. Mr. Au Yik Fei and Mr. Fung Hon Leung are deemed to be interested in such shares of the Company under the SFO as each of them is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Good Profit through his controlling interest in the shareholding of Good Profit as at 30 September 2012.

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

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

Notes: (continued)

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 30 September 2012.

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

Name of the holder of the convertible bonds	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Ivana	189,880,000	1,898,800,000	22.13

Note: Ivana has on 24 August 2012 obtained from MCL these convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014), which were issued by the Company to MCL on 12 August 2008 as part of the consideration to acquire the forestry business. They are unlisted, interest-free and convertible into the shares of the Company at the conversion price of HK\$0.10 per share of the Company (subject to adjustment according to the terms of the convertible bonds).

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 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 Company's old share option scheme, which was effective on 7 March 2002 (the "Old Share Option Scheme"), expired on 6 March 2012. All the outstanding share options thereunder lapsed because of the expiry of the option period. The new share option scheme of the Company (the "New Share Option Scheme") was adopted by the shareholders of the Company and was effective on 3 May 2012, when the annual general meeting was held. Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 September 2012, there were 83,500,000 share options outstanding under the New Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 83,500,000, which represents approximately 0.97% and 0.97% of the total issued share capital of the Company as at 30 September 2012 and the date of this report respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 83,500,000 additional ordinary shares of the Company, additional share capital of HK\$835,000 and share premium of HK\$584,500 (before the share issue expenses).

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

Name or category of the participants	Number of share options					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	Outstanding as at 30 September 2012				
Executive directors									
Ma Hang Kon, Louis	40,000,000	-	-	40,000,000	-	24/1/2011	24/10/2011 – 6/3/2012	0.078	0.076
	-	60,000,000	-	-	60,000,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
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	-	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	-				

SHARE OPTION SCHEME (continued)

Name or category of the participants	Number of share options				Outstanding as at 30 September 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					
Independent non-executive directors									
Fung Hoi Wing, Henry (Note 4)	3,500,000	-	-	3,500,000	-	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	-	3,500,000	-	-	3,500,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
Lau Ho Wai, Lucas	3,500,000	-	-	3,500,000	-	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	-	3,500,000	-	-	3,500,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
Lam Kin Kau, Mark	3,500,000	-	-	3,500,000	-	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	-	3,500,000	-	-	3,500,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
	10,500,000	10,500,000	-	10,500,000	10,500,000				
Employees and other eligible participants									
<i>Employees</i>	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
	-	13,000,000	-	-	13,000,000	30/5/2012	30/5/2012 – 29/5/2022	0.017	0.017
<i>Other eligible participants</i>	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
	196,500,000	13,000,000	-	196,500,000	13,000,000				
	307,000,000	83,500,000	-	307,000,000	83,500,000				

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.
- These directors resigned on 15 May 2012.
- The director resigned on 26 October 2012.

SHARE OPTION SCHEME (continued)

Save as disclosed above, at the date of approval of these unaudited condensed consolidated third quarterly financial statements, no other share options were exercised subsequent to the end of the period under review.

During the period for the nine months ended 30 September 2012, a total of 83,500,000 share options were granted by the Company on 30 May 2012 under the New Share Option Scheme, among which 70,500,000 share options were granted to four directors of the Company. The directors of the Company have estimated the following theoretical valuations of the said 83,500,000 share options granted under the New 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	60,000,000	699,881
Fung Hoi Wing, Henry	3,500,000	40,826
Lau Ho Wai, Lucas	3,500,000	40,826
Lam Kin Kau, Mark	3,500,000	40,826
Others	13,000,000	151,641
	83,500,000	974,000

The fair value of the share options granted during the period for the nine months ended 30 September 2012 was approximately HK\$974,000 (30 September 2011: HK\$2,880,280) of which the Group recognised a share option expense of approximately HK\$974,000 (30 September 2011: HK\$2,573,360) 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 (%)	—
Expected volatility (%)	89.4
Historical volatility (%)	89.4
Risk-free interest rate (%)	0.52
Expected life of share options (year)	5
Closing share price at grant date (HK\$)	0.017

SHARE OPTION SCHEME *(continued)*

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 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.

During the period for the nine months ended 30 September 2012, 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. On 26 October 2012, Mr. Fung Hoi Wing, Henry resigned as an independent non-executive director and Audit Committee member and Ms. Yeung Mo Sheung, Ann was appointed as an independent non-executive director and Audit Committee member. One of the Audit Committee members 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 2012.

BOARD OF DIRECTORS

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

Executive Directors:

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

Mr. Lau Chi Yan, Pierre

Mr. Ma Hang Kon, Louis

Professor Gong Yao Qian

Non-executive Director:

Mr. Wong Chi Man

Independent Non-executive Directors:

Mr. Lam Kin Kau, Mark

Ms. Yeung Mo Sheung, Ann

Mr. Lau Ho Wai, Lucas

By Order of the Board of
MERDEKA RESOURCES HOLDINGS LIMITED
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 12 November 2012

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