

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

FIRST QUARTERLY REPORT 2013

二零一三年第一季度報告

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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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)的特色

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

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

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本報告乃遵照《聯交所創業板證券上市規則》(「《創業板上市規則》」)的規定而刊載，旨在提供有關Merdeka 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。本公司各董事經作出一切合理查詢後，確認就彼等所深知及確信，本報告所載資料在一切重大方面均屬準確及完整，且無誤導或欺詐成分，且無遺漏任何其他事實，致使本報告或其所載任何陳述產生誤導。

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the three months ended 31 March 2013, 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 environment for the Group’s business. Our production and operation remained challenging.

OPERATION REVIEW

During the period under review, the management continued to refine the Group’s forestry and plantation businesses and further downsized its workforce in the Papua Province of Indonesia (the “Papua”). In respect of the trading business, the Group continued to engage in the trading of agricultural-related products and recorded sales of approximately HK\$1,512,000.

FINANCIAL RESULTS

Same as 2012, revenue of the Group for the three months ended 31 March 2013 was generated from the trading business. The revenue dropped by approximately HK\$527,000. Gross profit margin for this period was approximately 2% and remained stable when compared to the corresponding period last year. The Group recorded a loss of approximately HK\$12,766,000 for the first quarter of 2013. The loss was reduced by approximately HK\$2,475,000 compared to that of 2012, mainly due to decreases in operating and administrative expenses and finance cost by approximately HK\$3,590,000 and HK\$2,667,000 respectively. Reduction in operating and administrative expenses was mainly contributed by the savings in downsizing the Group’s operation in the Papua. 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 for the three months ended 31 March 2013 when certain convertible bonds had been converted into shares of the Company during 2012. On 17 January 2013, 595,000,000 share options were granted under the share option scheme of the Company. Accordingly, share option expense of approximately HK\$3,322,000 was charged in 2013 (2012: Nil).

SHARE CONSOLIDATION

Pursuant to the announcement dated 20 February 2013, the directors propose a share consolidation on the basis that every forty shares of HK\$0.01 each be consolidated into one consolidated share of HK\$0.40 each. By an ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting on 25 March 2013, the share consolidation became effective on 26 March 2013.

OUTLOOK

As the forestry and plantation businesses did not progress as scheduled, the Group will endeavour to optimize its operations in the Papua to preserve our financial resources before the resumption of the forestry project. In the meantime, the management will strive to grow the trading business which could provide a stable source of revenue. We will also actively look for any suitable business opportunities to further broaden the sources of revenues and cash inflows of the Group, taking into account the funding requirement and associated business risk. On 2 May 2013, the Group entered into an agreement to acquire 100% interest of Quasicom Systems Limited at the consideration of HK\$8 million. In respect of the proposed acquisition of Ever Hero Group, additional time is required to finalize the financial information to be included in the circular to the shareholders. Subject to the approval of the shareholders of the Company, the management is confident that the successful completion of this acquisition will have a positive impact on the Group's financial performance in the near future.

In order to strengthen the general working capital base of itself, the Company is considering to carry out fund raising activities when and where appropriate in the near future and will make relevant announcement accordingly.

UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2013

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 2013, together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2013

	Note	Three months ended 31 March	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	2	1,512	2,039
Cost of sales		(1,479)	(1,996)
Gross profit		33	43
Other income and other net gains		37	76
Operating and administrative expenses		(4,149)	(7,739)
Equity-settled share option expenses		(3,322)	–
Finance costs	3	(5,506)	(8,173)
LOSS BEFORE TAX		(12,907)	(15,793)
Income tax	4	–	–
LOSS FOR THE PERIOD		(12,907)	(15,793)
Loss attributable to:			
Owners of the Company		(12,766)	(15,241)
Non-controlling interests		(141)	(552)
		(12,907)	(15,793)
		HK\$	HK\$ (Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	6	(0.056)	(0.091)

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 2013*

	Three months ended	
	31 March	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(12,907)	(15,793)
Other comprehensive loss, after tax:		
Exchange difference on translating of financial statements of overseas subsidiaries	–	(6)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(12,907)	(15,799)
Total comprehensive loss attributable to:		
Owners of the Company	(12,766)	(15,247)
Non-controlling interests	(141)	(552)
	(12,907)	(15,799)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31 March 2013*

	Attributable to owners of the Company									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				of convertible bonds (Unaudited) HK\$'000						
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	67,886	587,668	66,710	46,493	-	22	(172,491)	596,288	34,820	631,108
At 1 January 2013	85,786	703,864	66,710	28,733	974	22	(770,287)	115,802	4,336	120,138
Changes in equity for 2013:										
Loss for the period	-	-	-	-	-	-	(12,766)	(12,766)	(141)	(12,907)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	(12,766)	(12,766)	(141)	(12,907)
Forfeiture of share options	-	-	-	-	(47)	-	47	-	-	-
Equity-settled share option arrangements	-	-	-	-	3,322	-	-	3,322	-	3,322
Issue of new shares upon exercise of share options	5,885	3,286	-	-	(3,286)	-	-	5,885	-	5,885
At 31 March 2013	91,671	707,150	66,710	28,733	963	22	(783,006)	112,243	4,195	116,438

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 2012 (“2012 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s 2012 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 2013. 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 2013 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Sale of goods attributable to the trading business	1,512	2,039

3. FINANCE COSTS

The charge represents the imputed interest on the liability component of the convertible bonds for the three months ended 31 March 2013 and 2012.

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 (2012: Nil). Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2012: Nil).

There was no income tax relating to the other comprehensive income during the period (2012: 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 2013 (2012: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the three months ended 31 March 2013 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<u>Loss for the period</u>		
Loss attributable to owners of the Company:	(12,766)	(15,241)

	Number of shares (thousands)	
		(Restated)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	226,858	168,164

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share has been retrospectively adjusted for the share consolidation of 40 into 1 effective on 26 March 2013.

No adjustment has been made to the basic loss per share presented for the three months ended 31 March 2013 and 2012 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. COMPARATIVE FIGURES

As detailed in Note 6, the comparative figures of loss per share have been restated to conform with the current period's presentation.

8. EVENTS AFTER THE REPORTING PERIOD

On 2 May 2013, End User Technology Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement to acquire 100% interest of Quasicom Systems Limited at the consideration of HK\$8 million, satisfied by the issuance of 20 million new shares of the Company.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2013, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 31 March 2013

(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	
Cheung Wai Yin, Wilson (Note)	212,500	37,500,000	37,712,500	16.46
Lau Chi Yan, Pierre	2,125,000	–	2,125,000	0.93
Ma Hang Kon, Louis	245,000	–	245,000	0.11

Note: The interests disclosed includes 37,500,000 Shares of the Company beneficially held by Ivana Investments Limited ("Ivana"), which is wholly owned by Mr. Cheung Wai Yin, Wilson. The remaining 212,500 Shares of the Company are beneficially held by Mr. Cheung Wai Yin, Wilson in person.

* Adjusted pursuant to the share consolidation of 40 into 1 effective 26 March 2013.

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 31 March 2013** (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	0.68	1,500,000	1,500,000	0.65
Wong Chi Man	17/1/2013	17/1/2013–16/1/2023	0.40	75,000	75,000	0.03
Lau Ho Wai, Lucas	30/5/2012	30/5/2012–29/5/2022	0.68	87,500	87,500	0.04
Lam Kin Kau, Mark	30/5/2012	30/5/2012–29/5/2022	0.68	87,500	87,500	0.04
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013–16/1/2023	0.40	87,500	87,500	0.04

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

Name of the holder of the convertible bonds	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Cheung Wai Yin, Wilson (Note)	189,880,000	47,470,000	20.71

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014) were issued by the Company on 12 August 2008 as part of the consideration to acquire the forestry business. They are unlisted, interest-free and convertible into the shares of the Company at the conversion price of HK\$4.00* per share of the Company (subject to adjustment according to the terms of the convertible bonds). Mr. Cheung Wai Yin, Wilson 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 Ivana through his controlling interest in the shareholding of Ivana as at 31 March 2013.

* Adjusted pursuant to the share consolidation of 40 into 1 effective 26 March 2013.

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 31 March 2013** (continued)

Save as disclosed above, as at 31 March 2013, none of the directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in Shares and Underlying Shares" above and "Share Option Scheme" below, at no time during the period for the three months ended 31 March 2013 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 2013, 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	37,500,000	16.36
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned		33,294,102	14.53
CCT Capital International Holdings Limited	Through a controlled corporation	2	33,294,102	14.53
CCT Telecom Holdings Limited ("CCT Telecom")	Through a controlled corporation	2	33,294,102	14.53
Mak Shiu Tong, Clement	Through a controlled corporation	2 and 3	33,294,102	14.53

* Adjusted pursuant to the share consolidation of 40 into 1 effective 26 March 2013.

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

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

Notes:

- Ivana has financial arrangement with CLC Finance Limited ("CLC") over these 37,500,000 shares, in which CLC has security interest over the same block of 37,500,000 shares. Ms. Au Suet Ming, Clarea is deemed to be interested in such shares of the Company under the SFO as she is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CLC through her controlling interest in the shareholding of CLC as at the date of this report.
- 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.
- The interest disclosed represents 33,294,102 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 2013.

(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	47,470,000	20.71

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014) were issued by the Company on 12 August 2008 as part of the consideration to acquire the forestry business. They are unlisted, interest-free and convertible into the shares of the Company at the conversion price of HK\$4.00* per share of the Company (subject to adjustment according to the terms of the convertible bonds). Ivana has financial arrangement with CLC over the convertible bonds amounted to HK\$150,000,000, in which CLC has security interest over such amount of the convertible bonds. Ms. Au Suet Ming, Clarea is deemed to be interested in such convertible bonds of the Company under the SFO as she is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CLC through her controlling interest in the shareholding of CLC as at the date of this report.

* Adjusted pursuant to the share consolidation of 40 into 1 effective 26 March 2013.

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 2013, 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 existing share option scheme of the Company (the “Share Option Scheme”) was adopted by the shareholders of the Company and was effective on 3 May 2012. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 March 2013, there were 2,150,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 2,150,000, which represents approximately 0.94% and 0.94% of the total issued share capital of the Company as at 31 March 2013 and the date of this report respectively.

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 2013	Date of grant of the share options	Exercise period of the share options	Price of the shares before the date of grant (Note 3) HK\$ per share	Original exercise price of the share options (Note 2) HK\$ per share	Adjusted exercise price of the share options after share consolidation (Note 2) HK\$ per share
	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Adjusted during the period upon effective of share consolidation						
Executive directors											
Cheung Wai Yin, Wilson	-	8,500,000	(8,500,000)	-	-	-	17/1/2013	17/1/2013–16/1/2023	HK\$0.01	HK\$0.01	not applicable
Lau Chi Yan, Pierre	-	85,000,000	(85,000,000)	-	-	-	17/1/2013	17/1/2013–16/1/2023	HK\$0.01	HK\$0.01	not applicable
Ma Hang Kon, Louis	60,000,000	-	-	-	(58,500,000)	1,500,000	30/5/2012	30/5/2012–29/5/2022	HK\$0.017	HK\$0.017	HK\$0.68
Non-executive director											
Wong Chi Man	-	3,000,000	-	-	(2,925,000)	75,000	17/1/2013	17/1/2013–16/1/2023	HK\$0.01	HK\$0.01	HK\$0.40
Independent non-executive directors											
Lau Ho Wai, Lucas	3,500,000	-	-	-	(3,412,500)	87,500	30/5/2012	30/5/2012–29/5/2022	HK\$0.017	HK\$0.017	HK\$0.68
Lam Kin Kau, Mark	3,500,000	-	-	-	(3,412,500)	87,500	30/5/2012	30/5/2012–29/5/2022	HK\$0.017	HK\$0.017	HK\$0.68
Yeung Mo Sheung, Ann	-	3,500,000	-	-	(3,412,500)	87,500	17/1/2013	17/1/2013–16/1/2023	HK\$0.01	HK\$0.01	HK\$0.40
Employees and other eligible participants											
Employees	13,000,000	-	-	(4,000,000)	(8,775,000)	225,000	30/5/2012	30/5/2012–29/5/2022	HK\$0.017	HK\$0.017	HK\$0.68
Other eligible participants	3,500,000	-	-	-	(3,412,500)	87,500	30/5/2012	30/5/2012–29/5/2022	HK\$0.017	HK\$0.017	HK\$0.68
	-	495,000,000	(495,000,000)	-	-	-	17/1/2013	17/1/2013–16/1/2023	HK\$0.01	HK\$0.01	not applicable
	83,500,000	595,000,000	(588,500,000)	(4,000,000)	(83,850,000)	2,150,000					

SHARE OPTION SCHEME *(continued)**Notes:*

1. As a result of the share consolidation of 40 into 1 effective on 26 March 2013, pursuant to the terms and conditions of the Share Option Scheme, the number and the exercise price of share options have been adjusted accordingly.
2. 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.
3. The price of the shares of the Company before the date of the grant of the share options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

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

During the period for the three months ended 31 March 2013, a total of 595,000,000 share options (before adjustment) were granted by the Company on 17 January 2013 under the Share Option Scheme, 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 595,000,000 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\$
Cheung Wai Yin, Wilson	8,500,000	47,457
Lau Chi Yan, Pierre	85,000,000	474,571
Wong Chi Man	3,000,000	16,750
Yeung Mo Sheung, Ann	3,500,000	19,541
Others	495,000,000	2,763,681
	595,000,000	3,322,000

SHARE OPTION SCHEME *(continued)*

The fair value of the share options granted during the period for the three months ended 31 March 2013 was approximately HK\$3,322,000 (31 March 2012: HK\$nil) of which the Group recognised a share option expense of approximately HK\$3,322,000 (31 March 2012: HK\$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 (%)	–
Expected volatility (%)	74.19
Historical volatility (%)	74.19
Risk-free interest rate (%)	0.39
Expected life of share options (year)	5
Closing share price at grant date (HK\$)	0.01

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 three months ended 31 March 2013.

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, Ms. Yeung Mo Sheung, Ann 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 2013.

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

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, 13 May 2013

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