



MERDEKA

MERDEKA MOBILE GROUP LIMITED
萬德移動集團有限公司*

STOCK CODE 股份代號：8163

* for identification purposes only

* 僅供識別

FIRST QUARTERLY REPORT 2015
二零一五年第一季度報告

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

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This report, for which the directors of Merdeka Mobile Group 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 Mobile Group Limited(萬德移動集團有限公司*)(「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 2015, Merdeka Mobile Group Limited (the “Company”) and its subsidiaries (the “Group”) continued to engage in forestry, plantation business, trading business, including the trading of various brands of milk powder products to customers based in Hong Kong, information technology business and money lending business. Our production and operation in forestry and plantation was suspended due to the unstable investment environment in Timika, Indonesia, the trading business and money lending business continued to grow healthily and the information technology business remained challenging but rewarding.

OPERATION REVIEW

Regarding the forestry project of the Group, the Board considers that the resumption of operation remained suspended during the period under review. As a result, the Group strived to grow the trading business which could provide a stable source of revenue. The Group sources the milk powder products directly from the milk powder product importers in Hong Kong and sells to (i) the bulk purchasers in Hong Kong; (ii) the pharmacies in Hong Kong; and (iii) the individual customers through e-commerce platform. On the other hand, the Group has actively pursued suitable business opportunities to further broaden the sources of revenue and cash inflows of the Group, taking into account the funding requirement and associated business risk. During the period, the Group suffered loss from its existing business, however, the gross profit margin has been continuously improving.

The Group is looking forward to the exploding mobile game market, value of which is growing tremendously with relatively low barriers to entry. After acquiring 60% shareholding interests of Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司) and as it is developing its mobile games and the cloud-based city Wi-Fi application software, and with complimentary benefits from Ever Hero group and leveraging on its reputation and experiences in online games, these possible investments are in line with the Group’s business development plans.

While focusing on its existing business, it is part of the business strategy of the Group to seek for new investments when opportunities arise. The Company commenced its money lending activities apart from its principal business in the second quarter of 2014. To accommodate and to facilitate this business development, the Group was granted, a money lenders licence in Hong Kong to carry on business as a money lender for a period of twelve (12) months from 2 December 2014. The Group is able to develop the money lending business as one of its principal lines of business by providing loans in a systematic and repetitive nature in its ordinary course of business, subject to compliance with the requirements in the Money Lenders Ordinance.

FINANCIAL REVIEW

In the first quarter of this year 2015, the Group maintained the same business segments of last year 2014 to earn revenue from trading business, information technology business and money lending business which was introduced in the end of the second quarter in last year.

Revenue of the group for the first quarter of this year was approximately HK\$9,508,000, representing a decrease of approximately 37.3% from approximately HK\$15,169,000 for the corresponding period in last year. Revenue from trading business decreased approximately 24.8% to approximately HK\$8,511,000 compared to the same period of last year. The decrease was mainly due to a sharp decrease in turnover from trading of dairy products of approximately HK\$5,707,000 on a year-over-year basis. On the other hand, the Group made turnover from trading of other products, such as pharmacy products, food and beverages and daily consumables of approximately HK\$1,321,000. Also, the Group continued to earn revenue from trading of beauty products of approximately HK\$1,855,000 which surged about 610.7% compared to the same period in last year.

Revenue of information technology business for the first quarter decreased approximately 76.7% to approximately HK\$894,000 on a year-over-year basis. The decrease was mainly due to lack of revenue contribution from one of the subsidiaries under information technology business segment.

Gross profit for the first quarter was approximately HK\$824,000, representing a decrease of approximately 20% on a year-over-year basis, which corresponded to the decreased turnover in the period under review. Gross Profit margin was approximately 8.7%, which was approximately 27.6% over the same period of last year. The increase was contributed by gross profit generated from diversified trading products.

Other income and other net gains and losses for the first quarter recorded a loss of approximately HK\$1,244,000 which was primarily due to the loss recognition on partial repayment of promissory note.

Finance costs for the first quarter was approximately HK\$3,676,000, which was approximately 28.7% lower than the same period for a year ago. The reduction was mainly contributed by partial repayment of outstanding principal of convertible bonds made in last year.

FOREST CONCESSIONS

The Group carries out annual review of the recoverable amount of the forest concessions. The recoverable amount of the relevant assets has been determined on the basis of their value in use.

The Group engaged Roma Appraisals Limited (“Roma”), an independent qualified professional valuer not connected with the Group, to value the fair value of the forest concessions. The fair value of the forest concessions as at 31 December 2014 was approximately HK\$29,000,000 (2013: HK\$205,000,000) based on the income based approach. Under the Income-Based Approach, the discounted cash flow (“DCF”) method was adopted to calculate the present value of all the future cashflows. The discount rate adopted was 21.06% as at 31 December 2014 (2013: 20.42%).

FOREST CONCESSIONS *(continued)*

The valuation was performed by Mr. Kelvin Luk of Roma. Mr. Luk is a member of the International Association of Consultants, Valuators and Analysts (IACVA). He has over nine years of experience in valuation and consultation related to forestry projects in Indonesia, Papua New Guinea, the People's Republic of China, Cambodia, Mozambique, the Philippines and etc..

The review led to the recognition of an impairment loss on forest concessions approximately HK\$170,811,000 (2013: HK\$70,000,000) in the statement of profit or loss for the year ended 31 December 2014.

CAPITAL REDUCTION AND SUB-DIVISION

The order confirming the Capital Reduction and the Sub-division was granted by the Grand Court of the Cayman Islands (the "Court") on 19 December 2014 (Cayman Islands time), and copies of order of the Court and other relevant documents was filed and duly registered with the Registrar of Companies in the Cayman Islands on 5 January 2015 (Cayman Islands time). Accordingly, all the conditions precedent for the implementation of the Capital Reduction and Sub-division was fulfilled and the Capital Reduction became effective on 6 January 2015 (Hong Kong time).

PROMISSORY NOTE

Following the completion of the acquisition of the Ever Hero group on 4 April 2014, and in accordance with the terms of the relevant acquisition agreement, the Company has issued the promissory note to the vendor pursuant to the terms of the promissory note instrument. On 19 March 2015 and 20 April 2015, the Company has partially redeemed each HK\$10 million of the promissory note at a cash consideration respectively of each HK\$10 million paid/payable to Hero Win Development Limited, the holder of the promissory note. As a result, the total amount of outstanding promissory note is HK\$28,600,000 at the end of this report period.

LITIGATION

On 22 January 2015, the Company announced that a writ of summons was issued in the Court of First Instance of the High Court of Hong Kong by Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited, an indirect wholly-owned subsidiary of the Company, as the 1st Defendant; (ii) the Company, as the 2nd Defendant; and (iii) Lau Chi Yan Pierre, the managing director and executive director of the Company, as the 3rd Defendant for, inter alia, (1) specific performance of an agreement dated 2 May 2013 in relation to a discloseable transaction of the Company (details of which were disclosed in the announcement of the Company dated 2 May 2013); or (2) alternatively, the damages in the sum of HK\$8,000,000 in lieu of specific performance; and (3) the interest; (4) further and/or other relief; and (5) the costs. The Company have instructed legal representative to handle the matter, and was advised that the claim does not have merits as the agreement had been duly and completely performed. The Company is considering applying for striking out the claim, subject to further legal advice.

COMPLETION OF VERY SUBSTANTIAL ACQUISITION

All the conditions precedent to the acquisition of the entire issued share capital of Blossom Height Ventures Limited ("Blossom Height") have been fulfilled and the completion took place on 21 April 2015. As a result of the completion, the Company issued the promissory note in the principal sum of HK\$32 million and the convertible bonds in the principal amount of HK\$40 million to the vendor, Yihua Enterprises Limited, as the Consideration.

Following the Completion, Blossom Height has become an indirect wholly-owned subsidiary of the Company and the financial results of it together with its subsidiaries will be consolidated into the accounts of the Group (in which 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited*) is accounted for using equity method).

OUTLOOK

The Board expects that the year of 2015, due to the suspension of forestry projects in Indonesia, there was no revenue generated from the Group's forestry and plantation business. However, the trading of milk powder products continues to provide a stable source of revenue to the Group and as the business is growing healthily, the Group is expanding its trading business into other consumer products. For the information technology business, revenue would be mainly driven by the additional contribution from the consolidation of different acquired entities into a single stream of income. Moreover, as a result of the Group commenced its money lending activities in the second quarter of 2014, there would be an overall increase in revenue as well as the operating profit of the Group as compared to year of 2014.

Following the completion of the acquisition of Blossom Height Ventures Limited, as the PRC Company has been generating profits in the year of 2014, it is expected that this acquisition will contribute profit to the Group after completion. The Directors believe that this acquisition will allow the Group, without setting up a new financing company, to further develop its financing related business in the PRC through a direct working capital injection, and subsequently to enjoy the benefits of the capital leverage in the PRC Company. Looking forward, in view of the growth potential of the financial leasing industry in the PRC, the Directors consider that this acquisition will enhance the performance of the Group and the return to the Shareholders as a whole.

The Company on 8 May 2015 (after trading hours), entered into an underwriting agreement with Pacific Foundation Securities Limited in relation to the underwriting and certain other arrangements in respect of the open offer on the basis of 2 offer shares for every 1 share in issue and held on the record date at the subscription price of HK\$0.09 each. The estimated net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$66.22 million (assuming no outstanding share options and no rights attaching to the convertible bonds are subscribed or exercised on or before the Record Date) will be used (i) as to not less than 80% for the capital injection into 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited*) as its general working capital to facilitate the expansion of the financial leasing business; and (ii) the remaining for the general working capital of the Group.

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UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2015

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 2015, together with the comparative unaudited figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2015

	Note	Three months ended 31 March 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
REVENUE	2	9,508	15,169
Cost of sales		(8,684)	(14,139)
Gross profit		824	1,030
Other income and other net gains and losses		(1,244)	2,754
Operating and administrative expenses		(3,874)	(4,398)
Finance costs	3	(3,676)	(5,159)
LOSS BEFORE TAX		(7,970)	(5,773)
Income tax	4	(1,230)	–
LOSS FOR THE PERIOD		(9,200)	(5,773)
Loss attributable to:			
Owners of the Company		(9,131)	(5,773)
Non-controlling interests		(69)	–
		(9,200)	(5,773)
		HK\$	HK\$ (restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	6	(0.02)	(0.02)

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2015

	Three months ended 31 March 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(9,200)	(5,773)
Other comprehensive loss, after tax:		
Exchange difference on translating of financial statements of overseas subsidiaries	–	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(9,200)	(5,773)
Total comprehensive loss attributable to:		
Owners of the Company	(9,131)	(5,773)
Non-controlling interests	(69)	–
	(9,200)	(5,773)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Attributable to owners of the Company										
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of convertible bonds (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital reduction 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
At 1 January 2014	3,859	708,125	66,710	25,283	963	132,931	(54)	(879,454)	58,363	(1,650)	56,713
Changes in equity for 2014:											
Loss for the period	-	-	-	-	-	-	-	(5,773)	(5,773)	-	(5,773)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	(5,773)	(5,773)	-	(5,773)
Partial redemption of convertible bonds	-	-	-	(2,555)	-	-	-	-	(2,555)	-	(2,555)
Issue of new shares upon placing	2,270	33,261	-	-	-	-	-	-	35,531	-	35,531
At 31 March 2014	6,129	741,386	66,710	22,728	963	132,931	(54)	(885,227)	85,566	(1,650)	83,916
At 1 January 2015	30,643	810,692	66,710	22,728	963	132,931	(54)	(1,051,679)	12,934	(9,472)	3,462
Changes in equity for 2015:											
Loss for the period	-	-	-	-	-	-	-	(9,131)	(9,131)	(69)	(9,200)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	(9,131)	(9,131)	(69)	(9,200)
Capital reduction of issued shares	(30,260)	-	-	-	-	30,260	-	-	-	-	-
At 31 March 2015	383	810,692	66,710	22,728	963	163,191	(54)	(1,060,810)	3,803	(9,541)	(5,738)

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 2014 (“2014 Annual Report”). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s 2014 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 2015. 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 2015 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, the value of services rendered and interest income from money lending during the three-month period under review.

An analysis of revenue is as follows:

	Three months ended 31 March	
	2015 (Unaudited) HK\$’000	2014 (Unaudited) HK\$’000
Revenue from trading business	8,511	11,325
Revenue from information technology business	894	3,844
Revenue from Money lending business	103	–
	9,508	15,169

3. FINANCE COSTS

	Three months ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Interest charge on convertible bonds (<i>note 1</i>)	2,908	5,144
Interest charge on promissory notes (<i>note 2</i>)	740	–
Interest charge on bank borrowings	–	15
Interest charge on finance lease obligation (<i>note 3</i>)	28	–
	3,676	5,159

Notes:

- (1) The charge represents the imputed interest on the liability component of the convertible bonds for the period
- (2) The charge represents the imputed interest and coupon interest 2% per annum on promissory note for the period
- (3) Interest on financing the acquisition of motor vehicles

4. INCOME TAX

Hong Kong Income tax recognized in profit or loss:

	Three months ended 31 March	
	2015 (Unaudited) HK'000	2014 (Unaudited) HK'000
Current tax	–	–
Under/(Over) provision in prior years	1,230	–
Total income tax recognised in profit or loss	1,230	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period (2014: Nil).

There was no income tax relating to the other comprehensive income during the period (2014: 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 2015 (2014: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the three months ended 31 March 2015 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>Loss for the period</u>		
Loss attributable to owners of the Company:	(9,131)	(5,773)
	Number of shares	
	(thousands)	
		(Restated)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	383,031	323,386

The weighted average number of ordinary shares for the three months ended 31 March 2014 for the purposes of calculating basic and diluted loss per share has been retrospectively adjusted for rights issue of 4 rights shares for every 1 share effective in July 2014 and share consolidation of 8 into 1 effective in Sep 2014.

No adjustment has been made to the basic loss per share presented for the three months ended 31 March 2015 and 2014 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

- (a) All the conditions precedent to the acquisition of the entire issued share capital of Blossom Height Ventures Limited ("Blossom Height") have been fulfilled and the completion took place on 21 April 2015. As a result of the completion, the Company issued the promissory note in the principal sum of HK\$32 million and the convertible bonds in the principal amount of HK\$40 million to the vendor, Yihua Enterprises Limited, as the Consideration.

Following the Completion, Blossom Height has become an indirect wholly-owned subsidiary of the Company and the financial results of it together with its subsidiaries will be consolidated into the accounts of the Group (in which 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited*) is accounted for using equity method).

- (b) On 8 May 2015 (after trading hours), the Company entered into an underwriting agreement with Pacific Foundation Securities Limited in relation to the underwriting and certain other arrangements in respect of the open offer on the basis of 2 offer shares for every 1 share in issue and held on the record date at the subscription price of HK\$0.09 each. The estimated net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$66.22 million (assuming no outstanding share options and no rights attaching to the convertible bonds are subscribed or exercised on or before the Record Date) will be used (i) as to not less than 80% for the capital injection into 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited*) as its general working capital to facilitate the expansion of the financial leasing business; and (ii) the remaining for the general working capital of the Group.

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DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2015, 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 2015

(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	Founder of a discretionary trust	Total	
Cheung Wai Yin, Wilson (Note)	185,938	32,812,500	32,998,438	8.62
Lau Chi Yan, Pierre	1,328,125	–	1,328,125	0.35

Note: As at the Latest Practicable Date, 32,812,500 Shares were owned by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself). Accordingly, Mr. Cheung is deemed to be interested in the relevant Shares for the purpose of the SFO. Mr. Cheung is also personally interested in 185,938 Shares.

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 2015 *(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 (%)
Wong Chi Man	17/1/2013	17/1/2013–16/1/2023	3.36	8,948	8,948	0.002
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013–16/1/2023	3.36	10,439	10,439	0.003

(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>	110,000,000	297,619,048	77.70

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2017) 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 adjusted conversion price of HK\$0.3696 per share of the Company (subject to adjustment according to the terms of the convertible bonds). The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrusted Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

Save as disclosed above, as at 31 March 2015, 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 2015 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 2015, 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	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
Ivana (<i>Note</i>)	Directly beneficially owned	32,812,500	8.57
Asiitrust Limited (<i>Note</i>)	Trustee	32,812,500	8.57
CW Limited (<i>Note</i>)	Beneficially owner	32,812,500	8.57
Ivana	Beneficially owner	32,812,500	8.57

Notes: The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiitrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

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

(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 (Note 1)	110,000,000	287,619,048	77.70
Yihua Enterprise Limited (Note 2)	40,000,000	125,000,000	32.63
Cheng Jun (Note 2)	40,000,000	125,000,000	32.63
Gao Yun Feng (Note 2)	40,000,000	125,000,000	32.63

Note:

- These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2017) 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 adjusted conversion price of HK\$0.3696 per share of the Company (subject to adjustment according to the terms of the convertible bonds). The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).
- These convertible bonds (due on 21 April 2018) were issued by the Company on 21 April 2015 as part of the consideration to acquire the financial leasing business. They are unlisted, interest-free and convertible into the shares of the Company at the conversion price of HK\$0.32 per share of the Company (subject to adjustment according to the terms of the convertible bonds). The interest is held by Yihua Enterprises Limited, a company incorporated in the British Virgin Islands owned as to 50% by Mr. Cheng Jun and 50% by Mr. Gao Yun Feng.

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 2015, 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 adopted by the shareholders of the Company in the annual general meeting of the Company held on 3 May 2012 and was effective from that date. 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 2015, there were 256,488 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 256,488, which represents approximately 0.067% and 0.067% of the total issued share capital of the Company as at 31 March 2015 and the date of this report respectively.

Details of the movements of the share options under the Share Option Scheme during the year 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	Price of the shares before the date of grant (Note) per share	Original exercise price of the share options per share	Adjusted exercise price of the share options after share consolidation and rights issue per share
	Outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 March 2015					
Non-executive director										
Wong Chi Man	8,848	-	-	-	8,948	17/1/2013	17/1/2013- 16/1/2023	0.01	0.01	3.36
Independent non-executive director										
Yeung Mo Sheung, Ann	10,439	-	-	-	10,439	17/1/2013	17/1/2013- 16/1/2023	0.01	0.01	3.36
Employees and other eligible participants										
Employees	26,841	-	-	-	26,841	30/5/2012	30/5/2012- 29/5/2022	0.017	0.017	5.68
Other eligible participants	210,260	-	-	-	210,260	30/5/2012	30/5/2012- 29/5/2022	0.017	0.017	5.68
	256,488	-	-	-	256,488					

SHARE OPTION SCHEME *(continued)*

Notes: 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 this report, no other share options were exercised subsequent to the balance sheet date.

During the period for the three months ended 31 March 2015 and 2014, no share options were granted by the Company, therefore no recognition of share option expense in both years for the reporting period.

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 2015.

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. Ng Kay Kwok, Ms. Yeung Mo Sheung, Ann and Mr. Yip Kat Kong, Kenneth, 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 2015.

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 (*Managing Director*)

Non-executive Director:

Mr. Wong Chi Man

Independent Non-executive Directors:

Ms. Yeung Mo Sheung, Ann

Mr. Ng Kay Kwok

Mr. Yip Kat Kong, Kenneth

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

Hong Kong, 14 May 2015

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