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

ANNUAL REPORT 2010 年報

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This report, for which the directors of Merdeka Resources Holdings Limited 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 Merdeka Resources Holdings Limited. The directors of Merdeka Resources Holdings Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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」)的規定而提供有關Merdeka Resources Holdings Limited(萬德資源集團有限公司)之資料，Merdeka Resources Holdings Limited(萬德資源集團有限公司*)各董事願共同及個別對此負全責。Merdeka Resources Holdings Limited(萬德資源集團有限公司*)各董事經作出一切合理查詢後，確認就彼等所深知及確信：(1)本報告所載資料在一切重大方面均屬準確及完整，且無誤導成分；(2)本報告並無遺漏任何其他事實，致使本報告所載任何聲明產生誤導；及(3)本報告內表達的一切意見乃經審慎周詳考慮後方行作出，並以公平及合理的基準和假設為依據。*

* *僅供識別*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ma Hang Kon, Louis *(Chief Executive Officer)*
Mr. Lai Wing Hung
Mr. Wong Shui Lung

Non-executive Directors

Mr. Yeh Shuen Ji *(Chairman)*
Mr. Bai Baohua

Independent Non-executive Directors

Mr. Lam Kin Kau, Mark
Mr. Fung Hoi Wing, Henry
Mr. Lau Ho Wai, Lucas

COMPANY SECRETARY

Mr. Ma Hang Kon, Louis

COMPLIANCE OFFICER

Mr. Ma Hang Kon, Louis

AUDIT COMMITTEE

Mr. Lam Kin Kau, Mark
Mr. Fung Hoi Wing, Henry
Mr. Lau Ho Wai, Lucas

REMUNERATION COMMITTEE

Mr. Ma Hang Kon, Louis
Mr. Lai Wing Hung
Mr. Lam Kin Kau, Mark
Mr. Fung Hoi Wing, Henry
Mr. Lau Ho Wai, Lucas

AUTHORISED REPRESENTATIVE

Mr. Ma Hang Kon, Louis
Mr. Lai Wing Hung

AUDITORS

Crowe Horwath (HK) CPA Limited

PRINCIPAL BANKER

Nanyang Commercial Bank Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The Sun's Group Centre
No. 200 Gloucester Road,
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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

8163

WEBSITE

www.merdeka.com.hk

LETTER TO THE SHAREHOLDERS

I am pleased to present the 2010 Annual Results of Merdeka Resources Holdings Limited and its subsidiaries for the year ended 31 December, 2010.

BUSINESS ENVIRONMENT

Recovery of the forestry market

The world forestry market continues to recover from the 2008 recession. While the recovery in 2009 was slow, we see a healthy resurgence of demand in 2010 and the continuous growth of the Chinese economy.

In China, the total value of trade in forest products soared to US$96 billion in 2010, 37% higher than that in 2009. This was primarily driven by internal demand and exports. The volume and value of imported logs, wood chips, furniture and sawnwood have increased across the board.

Various factors contributed to the increase in timber imports into China. Domestic demand for timber in furniture production, construction sector, home interior decoration and improvement soared due to rapid economic development in the mainland. Recovery from the global economic crisis has spurred trade and exports of wood products. Furthermore, national forest protection policies have restricted domestic timber supply and raised the need for increased imports.

China has to date invested in some 130 forestry projects in 21 countries. More than 80 Chinese enterprises have purchased or rented forest land abroad for logging, primary processing as well as wood product and furniture manufacturing.

Crude palm oil price at historic high

The price of crude palm oil (CPO) reached its historic high level in February 2011. This was driven by low inventory as a result of poor harvest due to operational issues and weather.

Palm oil accounts for 57% of world vegetable oils exports and it is projected that by 2015, world demand will increase to over 62 million tons of palm oil from 46 million tons in 2010. CPO price will continued be supported by the increased demand for vegetable oil from emerging markets such as India and China; as well as limited expansion of Asian oil palm plantations in the next few years.

The Group is optimistic about the long-term prospect of palm oil for the production of biofuel to replace some of the fossil fuel consumption. The European Union has mandated that biofuel should represent about 10% and 25% of total fuel consumption by 2020 and 2030, respectively; and China has a similar target since 2007 that biofuel consumption should represent 15% of total fuel consumption by 2020. Similar mandates have been announced in North America as well as South East Asia ranging from 5% to 20%.

The above reinforces our belief that the Group's business model with a combination of forestry and oil palm plantation operations can provide us with long-term sustainable growth and profitability.

OPERATIONS REVIEW

During the year under review, the Group continues to engage in its principal activities including: (i) the forestry business with upstream timber harvesting and downstream production of timber and wood products; (ii) the oil palm nursery in preparation of the plantation business; and (iii) the trading business.

The Group continues to make good progress during the last two years in setting a foundation for continued business expansion. We have completed the earlier stage of investment and have commenced the upstream forestry operations in the logging and harvesting of trees. We have completed basic infra-structure such as road and bridges which will support future oil palm plantation. In the downstream operations, the Group has completed its wood processing industrial facilities including two sawmills, one veneer factory, boiler room, workshop, warehouses and staff living area. We have commenced commercial production at the end of 2010.

As for the oil palm plantation business, the Group has commenced the nursery operations by purchasing seeds and engaged expert contractor for the day-to-day caring of the seedlings. The seedlings are in good condition and will be ready for planting in 2011.

LETTER TO THE SHAREHOLDERS

FINANCIAL REVIEW

During the year under review, revenue of the Group for the year ended 31 December 2010 was HK$6,715,000 as compared to HK$6,970,000 for the period ended 31 December 2009. The Group reported a loss of approximately HK$67,454,000 mainly due to non-cash accounting charges and the start-up cost of the forestry and plantation business in 2010.

OUTLOOK

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

The heavy investment in our infra-structure, production facilities and human resources will provide a strong foundation for our sustained growth and profitability in the future.

In the year 2011, the Group will focus on the commercial production and sales of our timber products and set the stage for our plantation operations.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 5 November 2010, the name of the Company was changed from "CCT Resources Holdings Limited" to "Merdeka Resources Holdings Limited". The Chinese name of the Company adopted for identification purposes was changed from "中建資源集團有限公司" to "萬德資源集團有限公司".

DISSOLUTION OF THE ADVISORY COMMITTEE

The Board announced that the advisory committee (the "Advisory Committee") set up on 7 August 2009 has been dissolved with effect from 10 January 2011, following the resignations of each of Mr. Wang Jun ("Mr. Wang"), as the chairman of the Advisory Committee, Mr. Xu Dingming ("Mr. Xu") and Mr. Li Changwei ("Mr. Li"), both as the deputy chairman of the Advisory Committee respectively on 30 December 2010.

Due to their various personal commitments, each of Mr. Wang, Mr. Xu and Mr. Li respectively found it increasingly difficult to give sufficient time to the Company in their performance as members of the Advisory Committee of the Company.

Each of Mr. Wang, Mr. Xu and Mr. Li has confirmed that they have no disagreement with the Board and there is no matter relating to their resignations that needs to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to thank Mr. Wang, Mr. Xu and Mr. Li for their invaluable advice and contribution in the past that had strengthened the Company's resources business.

LETTER TO THE SHAREHOLDERS

CHANGE OF MANAGEMENT

On 23 November 2010, Mr. Mak Shiu Tong, Clement tendered his resignation as the chairman, chief executive officer, executive director, member of the remuneration committee, authorised representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company; Mr. Tam Ngai Hung, Terry tendered his resignation as an executive director, chief financial officer, member of the remuneration committee, compliance officer, authorised representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company; Ms. Cheng Yuk Ching, Flora tendered her resignation as an executive director of the Company and as a director of the relevant subsidiaries of the Company; Dr. William Donald Putt tendered his resignation as an executive director of the Company and Mr. Lam Che Wah, Danny tendered his resignation as the company secretary of the Company. The above resignations were tendered in accordance with the terms and conditions of the sale and purchase agreement on 22 November 2010 between Manistar and MCL, both were substantial shareholder of the Company. After the above-mentioned resignations of directors and secretary, Mr. Ma Hang Kon, Louis has been appointed as the chairman, chief executive officer, executive director, compliance officer, member of the remuneration committee, company secretary, authorised representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company and Mr. Lai Wing Hung has been appointed as an executive director, member of the remuneration committee and authorised representative of the Company and as a director of the relevant subsidiaries of the Company.

After the year ended, on 27 January 2011, the Company appointed Mr. Yeh Shuen Ji (葉選基) as a non-executive director and invited him to be the chairman of the Company, Mr. Bai Baohua (白葆華) as a non-executive director of the Company and Mr. Wong Shui Lung (王水龍) as an executive director of the Company.

With effect from 27 January 2011, Mr. Ma Hang Kon, Louis was re-designated to as an executive director, chief executive officer, member of the remuneration committee, compliance officer, company secretary, authorized representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company.

Additional senior management staff has been employed at the operating level to cope with the development of the forestry business in Indonesia. With new management of diversified experience and expertise, it is anticipated that there will be positive impact on the daily operations of the Group's forestry business in Indonesia as well as the overall leadership of the Company and the Group.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the Directors, the management and all employees for their strong commitment and contribution towards the execution of the Group's strategies and operations. We also wish to thank all customers, suppliers, business partners, bankers, the authorities and shareholders for their support over the past years.

Ma Hang Kon, Louis
Chief Executive Officer

Hong Kong
25 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Highlights on financial results

	Year ended 31 December 2010 HK$'000	Period ended 31 December 2009 HK$'000	% increase/ (decrease)
Turnover	**6,715**	6,970	(3.7%)
Loss before finance costs and share option expenses	**(33,696)**	(18,008)	87.1%
– Share option expenses	**–**	(11,984)	(100.0%)
– Finance costs	**(33,758)**	(28,630)	17.9%
LOSS FOR THE YEAR/PERIOD	**(67,454)**	(58,622)	15.1%

Discussion on financial results

During the year ended 31 December 2010, the Group reported a turnover of approximately $6,715,000, decreased by 3.7% as compared to approximately $6,970,000 for the period ended 31 December 2009, due to decrease in sales orders from customer during the financial year.

The Group's operations, representing the forestry business, plantation business and the trading business, posted an operating loss of $33,696,000, an increase of approximately 87.1% compared with last period, mainly due to the increase in the preparation and start-up costs to establish the forestry business before it commences commercial operations.

The share option expense, which is merely a non-cash accounting charge, did not have any impact on the Group's loss this year because no share options were granted to directors and eligible participants of the Company during the year under review.

The Group's loss for the year was further increased by the finance costs of the Group which represent an accounting interest charge, not involving any cash outflow of the Group. The charge represents interest imputed on the liability component of the outstanding convertible bonds of the Company. The imputed interest amounted to approximately $33,758,000 for the year, increased by 17.9% as a result of longer financial year in 2010 compared with the nine months period ended on 31 December 2009.

The Group posted a net loss of approximately $67,454,000 for the year as compared to the loss of approximately $58,622,000 for the previous financial period. The loss was caused by the combined effect of the start-up costs, plantation nursery expenses, and the non-cash charges of finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis by business segment

	Revenue (excluding other revenue)		Operating loss before finance costs and tax	
	Year ended 31 December 2010 HK$'000	Period ended 31 December 2009 HK$'000	**Year ended 31 December 2010 HK$'000**	Period ended 31 December 2009 HK$'000
– Trading business	**6,715**	6,970	**(73)**	(161)
– Forestry business	**–**	–	**(26,516)**	(17,847)
– Plantation business	**–**	–	**(5,648)**	–
	6,715	6,970	**(32,237)**	(18,008)

During the year, the Group's business reportable segments comprise the trading business, the forestry business and the plantation business. Turnover of the Group's trading business was $6,715,000 for the year under review, representing a decrease of 3.7% as compared with the last financial period. The trading business incurred a small loss of $73,000 under competitive business environment.

As the forestry business was still in the development stage, no revenue from the forestry business was recorded during the year. The forestry business incurred a loss of $26,516,000, up 48.6%, attributable to increase in preparation and start-up costs to construct two sawmill factory and one veneer mill in factory area and prepare for the commencement of operations.

The Group is engaged in the plantation of oil palm tree for supply of palm oil to customers. As at 31 December 2010, the Group held 180,000 seedlings of palm oil trees in its nursery area in Timika, Papua, Indonesia. The plantation business incurred a loss of $5,648,000 mainly due to the plantation contractor fee and related expenses.

Analysis by geographical segment

Turnover

	Year ended 31 December 2010		Period ended 31 December 2009		
	Amount HK$'000	**Relative %**	Amount HK$'000	Relative %	% decrease
Mainland China	**6,715**	**100.0%**	6,970	100.0%	3.7%

During the current financial year and the previous financial period, all the turnover of the Group's trading business was derived from Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights on financial position

	31 December 2010 HK$'000	31 December 2009 HK$'000	% increase/ (decrease)
Property, plant and equipment	**37,101**	35,460	4.6%
Forest concessions	**833,535**	833,801	0.03%
Biological assets	**6,635**	–	100.0%
Prepayment, deposits and other receivable	**5,951**	12,253	(51.4)%
Cash and cash equivalents	**68,569**	101,439	(32.4)%
Convertible bonds (liability portion)	**485,652**	497,304	(2.3)%
Non-controlling interests	**37,741**	40,901	(7.7)%
Shareholders' funds	**426,000**	444,337	(4.1)%

Discussion on financial position

The book value of the property, plant and equipment increased from approximately $35,460,000 as at 31 December 2009 to approximately $37,101,000 as at 31 December 2010. The increase was mainly attributable to additions of buildings and factories, machineries and equipment in relation to the forestry business less increased depreciation of the fixed assets during the year.

The forest concessions amounted to approximately $833,535,000 as at 31 December 2010 (2009: $833,801,000) which was decreased by $266,000 from last year being the amortisation of forest concessions (2009: nil), representing the estimated fair value of the concessions acquired.

The prepayment, deposits and other receivable amounted to approximately $5,951,000 as at 31 December 2010, representing mainly the deposits for purchase of machinery and equipment relating to the forestry business. The decrease was mainly due to transfer of construction in progress of buildings and factories to property, plant and equipments during the financial year.

The cash and cash equivalents of the Group decreased by 32.4% to approximately $68,569,000 as at 31 December 2010. The decrease in cash was mainly caused by the net cash outflow to finance operational expenses and building factories of the Group's forestry business.

The convertible bonds represent the liability component of the outstanding convertible bonds which were issued to the bond holder by the Company in 2008 as part of the consideration to acquire the forest concessions. The outstanding convertible bonds amounted to approximately $485,652,000 as at 31 December 2010. The decrease in the liability component of the convertible bonds was due to partial conversion of the convertible bonds during year under review.

The decrease in non-controlling interests was due to the sharing of loss in certain Indonesian subsidiaries for the year ended 31 December 2010 by the non-controlling shareholders of these subsidiaries.

The Group's shareholders' funds decreased from $444,337,000 as at 31 December 2009 to $426,000,000 as at 31 December 2010, mainly due to the loss of the Group for the financial year less the issue of new shares of the Company upon exercise of share options for 5,000,000 shares and conversion of the convertible bonds for the amount of $50,000,000 resulting in the issue of 500,000,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure and gearing ratio

	31 December 2010		31 December 2009	
	Amount HK$'000	**Relative %**	Amount HK$'000	Relative %
Convertible bonds (liability component)	**485,652**	**53.3%**	497,304	52.8%
Total borrowings	**485,652**	**53.3%**	497,304	52.8%
Equity	**426,000**	**46.7%**	444,337	47.2%
Total capital employed	**911,652**	**100.0%**	941,641	100.0%

During the year ended 31 December 2010, the MCL Convertible Bonds with an aggregate principal amount of $50,000,000 were converted into 500,000,000 shares of the Company. As at 31 December 2010, the outstanding principal amount of the MCL Convertible Bonds was $504,880,000, of which the liability component plus accrued imputed interest amounted to $33,758,000. The MCL Convertible Bonds are interest free and have a maturity date of 12 August 2011.

The Group's gearing ratio was approximately 53.3% as at 31 December 2010 (2009: 52.8%). The increase in the gearing ratio was due to (i) the decrease in the liability component of the convertible bonds resulting from partial conversion of the convertible bonds during the year; and (ii) the net decrease in equity caused by loss incurred in the year less the issue of new shares upon conversion of the convertible bonds.

Other than the convertible bonds, the Group has no other borrowings as at 31 December 2010.

Liquidity and financial resources

	31 December 2010 HK$'000	31 December 2009 HK$'000
Current assets	**74,520**	121,409
Current liabilities	**488,050**	8,128
Current ratio	**15.3%**	1,493.7%

The current ratio of the Group as at 31 December 2010 was 15.3% (2009: 1,493.7%), reflecting the classification of the convertible bonds under current liabilities in this year's financial statements. The convertible bonds were classified as non-current liabilities at the end of 2009.

The decrease in current ratio was due to the maturity of the convertible bonds on 12 August 2011. Merdeka Commodities Limited, the bond holder as well as the company's immediate parent company, has agreed to continue its financial support to the Company by subordinating its right, when necessary, to receive repayment of the convertible coupon bonds owing to it from the Company.

As at 31 December 2010, the Group's total cash balance amounted to approximately $68,569,000 (2009: $105,677,000). No cash balance was pledged for general banking facilities (2009: $4,238,000). Almost all of the Group's cash was placed on Hong Kong dollar deposits with licensed banks in Hong Kong. The amble cash balance provides sufficient cash resources to the Group to cover all operating cash requirements, including working capital and capital expenditure needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign currency exposure

The Group's reporting currency is in Hong Kong dollar. During the year, most of the transactions of Group's forestry business were denominated in Hong Kong dollar, Indonesian Rupiah or in US dollar. As the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation of the US dollar against the Hong Kong dollar was not significant during the year. As such, the forestry business did not have any significant exposure to foreign exchange risk during the year under review.

The Board considers that the Group's exposure to foreign exchange risk is not significant at present and therefore, no hedging transaction was entered into during the year.

Contingent liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities.

Acquisition and disposal of subsidiaries and affiliated companies

The Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2010.

Pledge of assets

As at 31 December 2010, the Group did not have any pledged deposits (2009: $4,238,000) and pledged assets.

Capital commitments

The Group's capital commitments amounted to approximately $22,000 as at 31 December 2010 (2009: $5,412,000), which decreased substantially from last year end as major construction of factories was completed in 2010.

Employees and remuneration policy

As at 31 December 2010, the Group employed 157 staff (2009: 225). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. As at 31 December 2010, there were outstanding share options of approximately 258,500,000 (2009: 268,500,000).

Event after the reporting period

Subsequent to the end of the reporting period, on 24 January and 25 March 2011, 43,000,000 and 63,000,000 share options were granted respectively to certain directors and other eligible participants, under the Company's existing Share Option Scheme.

Each share option shall entitle the holder thereof to subscribe for one ordinary share of HK$0.01 each in the share capital of the Company upon exercise of such share option at the respective exercise price of HK$0.078 and HK$0.143 per share within the period from 24 October 2011 to 6 March 2012.

On 27 January 2011, the Company appointed Mr. Yeh Shuen Ji as a non-executive director and invited him to be the chairman of the Company, Mr. Bai Baohua as a non-executive director of the Company and Mr. Wong Shui Lung as an executive director of the Company.

With effect from 27 January 2011, Mr. Ma Hang Kon, Louis was re-designated to as an executive director, chief executive officer, member of the remuneration committee, compliance officer, company secretary, authorized representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company.

The Company's head office and principal place of business in Hong Kong has been changed to Room 1903A, The Sun's Group Centre, No. 200 Gloucester Road, Wanchai, Hong Kong with effect from 25 March 2011.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. MA Hang Kon, Louis, aged 48, was the former executive director of the Company and director of certain subsidiaries of the Company until his resignation which took effect on 15 January 2010. Mr. Ma was also the chief executive officer of the Company and its principal wholly-owned subsidiaries and the qualified accountant of the Company until his resignation from the position which took effect on 31 October 2009.

Mr. Ma was re-appointed as an executive director, the chairman, CEO, member of the remuneration committee, compliance officer, company secretary, authorized representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company on 23 November 2010. He was re-designated to as an executive director, CEO, member of the remuneration committee, compliance officer, company secretary, authorized representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company with effect from 27 January 2011.

Mr. Ma is primarily responsible for the corporate planning, overall strategic direction of the Group and taking a leading role in managing and overseeing the day-to-day operations of the businesses of the Group. He is also responsible for managing the finance and accounting, compliance and company secretarial functions of the Group. Mr. Ma has over 25 years of working experience, mainly in the petrochemical and electronics industries in the United States and in the Asia Pacific region. He is experienced in starting up operations including building an infrastructure of manufacturing facilities in the Asia Pacific, in leading mergers and acquisitions, and in rapidly growing business in new geographic locations. He has also acquired management experience in the forestry business of the Group in Indonesia during the period of his former employment with the Group. Mr. Ma is a member of each of The American Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Secretaries and Administrators. He graduated from the Kellogg School of Business, Northwestern University in the United States and the Hong Kong Polytechnic (the predecessor of The Hong Kong Polytechnic University).

Mr. LAI Wing Hung, aged 48, is currently the director of certain subsidiaries of the Group, a director and controlling shareholder of MCL and also a substantial shareholder of the Company. He is primarily responsible for the overall management of the Group and taking an executive role in managing the Group's forestry business, management of investment and corporate finance. Mr. Lai has 20 years of experience with CITIC (Hong Kong) Holdings Limited in the management of the investment and bond instruments. His last position in CITIC (Hong Kong) Holdings Limited was Deputy General Manager, Fixed Income. He has been involved in the affairs of the forestry business of the Group in Indonesia since its acquisition. Mr. Lai graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration.

Mr. WONG Shui Lung (王水龍), aged 69, graduated from the Mechanical and Electrical Engineering Faculty of the Qinghua University of the People's Republic of China. Mr. Wong has more than 10 years of experience in international gold trading. He has served as the Managing Director of Beijing Jinyu Zhongjin Gold (H.K.) Company Limited (北京金域中金黃金（香港）有限公司), since 2005. Commencing from September 2010, he is the Deputy General Manager of Beijing Hua Min Chang Qing Technology Development Limited (北京華民常青科技發展有限公司). He was an executive director of the Company during the period from 9 to 13 August 2010.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. YEH Shuen Ji (葉選基), aged 71, is the Chairman of the Company with effect from 27 January 2011. He graduated from Beijing Foreign Languages Institute (presently known as Beijing Foreign Studies University), and has more than 32 years of experience in finance and corporate development. He was the General Manager (Hong Kong Branch) of CITIC International Investment Company (中信國際投資公司), the chairman of Guo Ye Holdings Company Limited (國葉集團有限公司) and Guo Ye Enterprises Limited (國葉企業有限公司), the principal activities of which are investment consultancy in electronic communications and property in the PRC. During the period from 1997 to 2005, he was also an executive director of SEEC Media Group Limited, securities of which are listed on the Stock Exchange.

Commencing from 2006, Mr. Yeh is the Honorary Chairman of the Hong Kong Energy and Minerals United Associations.

Mr. BAI Baohua (白葆華), aged 70, has 44 years of experience in metallurgy. He worked as an engineer, a manager and then the general manager of China Metallurgical Products' Import & Export Company (中國冶金進出口公司), a company primarily involved in trading of metals. He was also appointed as the general manager of China International Steel Investment Company (中國國際鋼鐵投資公司), a company primarily involved in promotion of foreign investment in the steel industry in the PRC. In addition, he was the general manager, the vice chairman and the legal representative of China Iron and Steel Industry and Trade Group Corporation, a company primarily involved in production and trading of steel. He graduated from Metal Pressure Processing Department at University of Science & Technology Beijing (originally Beijing Iron and Steel College) in 1965.

Mr. Bai is an INED, member of remuneration and audit committees of China Nickel Resources Holdings Co., Ltd., securities of which are listed on the Stock Exchange.

He is also an independent director, chairman of the nominating and remuneration committees and a member of the audit committee of Delong Holdings Limited, securities of which are listed on the Singapore Exchange Securities Trading Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kin Kau, Mark, aged 56, has served as an INED of the Company since April 2006 and is a member of both the Audit Committee and the Remuneration Committee. He is a member of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England and Wales and The Institute of Chartered Secretaries and Administrators. He has been a practising accountant for over 25 years and is a director of various private companies. He is also an INED of Neo Telemedia Limited (formerly known as BIG Media Group Limited), a company listed on the GEM. Mr. Lam was an INED of Haier Electronics Group Co., Ltd., a company listed on the Main Board of the Stock Exchange until his resignation on 21 June 2007.

Mr. FUNG Hoi Wing, Henry, aged 55, has served as an INED of the Company since April 2006 and is a member of both the Audit Committee and the Remuneration Committee. He is a Solicitor of Messrs. Fung, Wong, Ng & Lam, Solicitors and Notaries of Hong Kong. He graduated from the University of Hong Kong in 1976 with a Bachelor's degree in Social Sciences. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1981. In addition, he is a Notary Public and a China-Appointed Attesting Officer. He has also served as an INED of Global Energy Resources International Group Limited, a company listed on the GEM since 12 January 2010. Mr. Fung was also an INED of Haier Electronics Group Co., Ltd., a company listed on the Main Board of the Stock Exchange until his resignation on 21 June 2007.

Mr. LAU Ho Wai, Lucas, aged 48, has served as an INED of the Company since April 2006 and is a member of both the Audit Committee and the Remuneration Committee. He is a fellow of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He is also a Registered Professional Surveyor and a practicing chartered surveyor in Hong Kong. He has a Bachelor's degree in Land Economy, a Master's degree in Urban Design, a Bachelor's degree in Laws, a Master's degree in Laws (International Business Law) and a Master's degree of Science in Applied Accounting and Finance and has over 20 years of professional experience in the real estate and finance fields.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Nolfo Banquirigo ANUDDIN, aged 52, joined the Group in August 2008, currently holds the position of Field Operations Manager of an operating subsidiary in Indonesia. He is primarily responsible for the day-to-day operations in the field covering forestry production, road construction, planning, and mechanical and equipment maintenance. Mr. Anuddin graduated from the Foundation University in the Philippines with a forestry degree. He has been in the forestry business for over 31 years in various countries including Malaysia, Suriname, Guyana (South America), Amazon, Brazil and now in Indonesia.

Professor GONG Yao Qian, aged 75, joined the Group in September 2008, currently holds the position of Chief Consultant, Forestry and Wood Processing. He is responsible for the master planning of the forestry and wood processing operations. Professor Gong graduated from the Nanjing Forestry University and taught in the same university for over 30 years. He represented the Ministry of Forestry of the PRC and various corporations in the PRC for domestic and international forestry projects covering countries including Fiji, Guyana, East Timor, Gabon, Bolivia, Japan and Indonesia.

Mr. LI Dong Fang, aged 36, joined the Group in March 2009, currently holds the position of Factory Manager of the Group's operations in Indonesia. Mr. Li is primarily responsible for the day-to-day maintenance and operation of machinery and equipment of the Group's downstream operations in Indonesia and he will also be responsible for developing the Group's wood processing operation in Indonesia. Prior to joining the Group, he held the position of the technical factory manager of an Indonesian company and has extensive experience in overseeing the maintenance and operation of machinery and equipment in factory operation.

Mr. MA Hang Kon, Louis, aged 48, is the Company Secretary of the Company whose particulars have been stated above in the section headed "Directors and Senior Management" on page 11 of this Annual Report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has always recognised the importance of the transparency and accountability to shareholders of the Company (the "Shareholders"). It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders. Throughout the year ended 31 December 2010, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions under the Code on Corporate Governance Practices (the "Code") set out in Appendix 15 to the GEM Listing Rules, except for the following deviations from the code provisions of the Code:

Code Provision A.2.1

The Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

There has been no separation of the roles of chairman and chief executive officer as set out in the Code Provision A.2.1 during the year ended 31 December 2010. Both Mr. Mak Shiu Tong, Clement and his successor, Mr. Ma Hang Kon, Louis, have assumed the roles of both the Chairman and the CEO. However, subsequent to the year ended, the Company has invited Mr. Yeh Shuen Ji to assume the role as the Chairman of the Company. The Code Provision A.2.1 has been complied with since then.

Both Mr. Mak and Mr. Ma have substantial experience that is essential to fulfilling the role of the Chairman. At the same time, they have the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. Currently, the Board is composed of three executive directors (including the CEO), two non-executive directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group.

By segregating the roles of the Chairman and the CEO as a balance of power and authority, the Company complies with the Code and will take necessary positive steps to ensure the strict continual compliance of the Code in the long run for good corporate governance.

Code Provision A.4.1

The Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

The two non-executive directors of the Company are appointed for a terms of two years, but none of the existing INEDs of the Company is appointed for a specific term. However, all non-executive directors, including INEDs, of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company (the "AGM") in accordance with the articles of association of the Company.

Code Provision A.4.2

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the articles of association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following AGM and shall then be eligible for re-election.

The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

Pursuant to the articles of association of the Company, the Chairman and the managing director of the Company shall not be subject to retirement by rotation or also not be taken into account in determining the number of directors to retire in each year. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the directors of the Company other than the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has not adopted a code of conduct regarding the securities transactions by the directors of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2010.

THE BOARD

The Board is charged with the responsibility for the promotion of the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company.

Matters reserved for the Board's decision include those relating to:

- the strategic direction of the Group;
- the objectives of the Group;
- monitoring the performance of the management of the Group;
- ensuring prudent and effective control measures are in place;
- material bank facilities arrangements;
- material acquisitions and disposals of assets and significant investments;
- material transactions with connected persons;
- material corporate finance transactions including placing or sale of shares or convertible bonds, corporate restructuring, take-over, including approval of the announcements and the circulars;
- reviewing and approving quarterly results, half-yearly results and annual financial statements, declaration of dividends;
- appointment, re-appointment of auditors and determination of their remuneration; and
- reviewing and determination of the terms and remuneration of the Directors.

CORPORATE GOVERNANCE REPORT

The management of the Group was delegated the authority and responsibility by the Board for managing the businesses of the Group, with division heads responsible for different aspects of the business. The Board meets at least four times each year and meets as and when required. Appropriate and sufficient information including notices were provided to the Board's members in a timely manner. During the year ended 31 December 2010 and up to the date of this report, the Board held 27 meetings. The attendance of the Directors at the Board's meetings (either in person or by phone) is set out as follows:

Name of the Directors		Number of attendance
Ma Hang Kon, Louis	*(Resigned on 15 January 2010 and re-appointed on 23 November 2010)*	7
Lai Wing Hung	*(Appointed on 23 November 2010)*	7
Wong Shui Lung	*(Appointed on 9 August 2010, resigned on 13 August 2010 and re-appointed on 27 January 2011)*	1
Yeh Shuen Ji	*(Appointed on 27 January 2011)*	1
Bai Baohua	*(Appointed on 27 January 2011)*	1
Lam Kin Kau, Mark		26
Fung Hoi Wing, Henry		25
Lau Ho Wai, Lucas		26
Mak Shiu Tong, Clement	*(Resigned on 23 November 2010)*	15
Tam Ngai Hung, Terry	*(Resigned on 23 November 2010)*	16
Cheng Yuk Ching, Flora	*(Resigned on 23 November 2010)*	16
William Donald Putt	*(Resigned on 23 November 2010)*	15

The company secretary of the Company is responsible for taking minutes of the Board's meetings and all Board's minutes are open for inspection by the Directors upon reasonable notice.

The Directors are enabled, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Appropriate insurance cover has been arranged in respect of the legal action against the Directors and the management of the Group. The Board considers that the Group has sufficient and appropriate liability insurance to cover the Directors and the management of the Group against any legal liability arising from their performance of duties.

BOARD'S COMPOSITION

During the financial period under review, Mr. Ma Hang Kon, Louis resigned as an executive director with effect from 15 January 2010 and was re-appointed on 23 November 2010. Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Mr. William Donald Putt resigned as directors of the Company and Mr. Lam Che Wah, Danny resigned as the Company Secretary of the Company with effect from 23 November 2010 pursuant to the terms and conditions of a sales and purchase agreement dated 22 November 2010 between Manistar and MCL, both are substantial shareholders of the Company, in respect of 700,000,000 shares in the Company.

As at the date of this Annual Report, the Board comprises three executive directors, namely Mr. Ma Hang Kon, Louis (also acting as the CEO), Mr. Lai Wing Hung and Mr. Wong Shui Lung, two non-executive directors, namely Mr. Yeh Shuen Ji (also acting as the Chairman) and Mr. Bai Baohua and three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas. The Board has maintained a balance of skills and experience appropriate of the requirements, promotion and development of the businesses of the Group. Its composition represents a mixture of management, technical, marketing, procurement, legal, accounting and finance which is relevant in managing the businesses in which the Group is engaged.

The Company has received annual confirmation of independence from the three INEDs of the Company in accordance with Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all INEDs of the Company are independent within the definition of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company has complied with Rules 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise throughout the year ended 31 December 2010. The Board currently comprises three INEDs, one of whom has accounting and financial expertise and brings strong independent judgement, knowledge and experience to the Board.

The Board's members have no financial, business, family or other material/relevant relationships with each other. Such balanced composition of the Board is formed to ensure strong independence exists across the Board and has met the recommended best practice under the Code for the Board to have at least one-third in number of its members comprising the INEDs. The biographies of the Directors are set out in the section headed "CORPORATE GOVERNANCE REPORT" in this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

THE CHAIRMAN AND THE CEO

Presently, Mr. Yeh Shuen Ji assumes the role of the Chairman of the Company whilst Mr. Ma Hang Kon, Louis assumes the role of the CEO of the Company. By segregating the roles of the Chairman and the CEO as a balance of power and authority, the Company complies with the Code and will take necessary positive steps to ensure the strict continual compliance of the Code in the long run for improving the corporate governance.

The Chairman of the Company is responsible for the management of the board and for the performance of the important role in the provision of leadership for the board. The chairman should take responsibilities for (i) ensuring that the board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the board in a timely manner; (ii) drawing up and approving the agenda for each board meeting taking into account; and (iii) ensuring that good corporate governance practices and procedures are established.

During the year ended 31 December 2010, both of Mr. Mak Shiu Tong, Clement and his successor, Mr. Ma Hang Kon, Louis, have assumed the roles of both the Chairman and the CEO. The reasons for the deviation from the Code Provision A.2.1 under the Code are set out in the section headed "Corporate Governance Practices" above.

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

The articles of association of the Company provide that (i) each Director (except the Chairman and the managing director) is required to retire by rotation and that one-third (or the number nearest to but not greater than one-third) of the Directors shall retire from office by rotation and be eligible for re-election at each AGM of the Company; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, will hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the INEDs of the Company has filed a written confirmation to the Company confirming his independence pursuant to Rule 5.09 of the GEM Listing Rules and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. As at the date of this Annual Report, the Board still considers the INEDs of the Company to be independent. The INEDs of the Company are not appointed for any specific terms, but they are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the articles of association of the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established two committees, namely the Remuneration Committee and the Audit Committee, with clearly defined written terms of reference. The main roles and responsibilities of these two committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the Company's website at www.merdeka.com.hk. The different committees' independent views and recommendations not only ensure proper control of the Group but also the continual achievement of the high corporate governance standards expected of a listed company. The chairman of each committee reports the outcome of the committee's meetings to the Board for further discussion and approval.

Remuneration of the Directors

Pursuant to the requirements of the GEM Listing Rules, the Company has established the Remuneration Committee in 2005 with specific written terms of reference in line with the code provisions under the Code. The Remuneration Committee is mainly responsible for (i) making recommendations to the Board on the policy and structure for the remuneration of the directors and the senior management of the Group; (ii) reviewing the remuneration package including the performance-based bonus and incentive rewards for the executive Directors and the senior management of the Group; and (iii) reviewing and making recommendations to the Board the compensation, if any, payable to the executive directors and senior management in connection with any loss or termination of their office or appointment.

The Remuneration Committee for the year ended 31 December 2010 consisted of five members comprising three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, and two executive directors, namely Mr. Ma Hang Kon, Louis and Mr. Lai Wing Hung. The chairman of the Remuneration Committee is elected by the members who are present at the meeting.

During the year ended 31 December 2010, the Remuneration Committee held two meetings at which all five members of the Remuneration Committee attended. At one of such meetings, the current framework, policies and structure for the remuneration of the directors and the senior management of the Group was reviewed by the members of the Remuneration Committee who reported to the Board of their reviews with recommendations. The Remuneration Committee also reviewed the specific remuneration packages including the terms of employment, incentive rewards and performance-based bonus of the executive Directors and the senior management of the Group and the fees payable to the INEDs of the Company.

The primary objective of the Group's remuneration policy is to retain and motivate the executive Directors and the senior management of the Group by linking their rewards to the corporate and individual performance, job complexity and responsibilities, so that the interests of the executive Directors are aligned with those of the Shareholders. No Director can, however, approve his/her own remuneration.

In order to attract, retain and motivate the executives and the employees serving for the Group, the Company has adopted the Share Option Scheme in 2002. The Share Option Scheme enables the eligible participants to obtain an ownership interest in the Company by payment of the exercise price with reference to the market price of the Shares at the time of grant and thus to reward to the participants who contribute to the success of the Group's operations.

Details of the amount of the Directors' emoluments are set out in note 11 to the financial statements in this Annual Report and details of the Share Option Scheme adopted by the Company on 20 February 2002 are set out in the section headed "Report of the Directors" in this Annual Report.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Company has established the Audit Committee in 2001 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 consisted of three members comprising three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas throughout the year ended 31 December 2010, 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 give advice 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 is mainly responsible for (i) reviewing the Company's quarterly results, half-yearly results and annual financial statements and making recommendations as to the approval of the Company's quarterly results, half-yearly results and annual financial statements by the Board; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standards; (v) reviewing and monitoring financial reporting and the reporting judgement contained in them; and (vi) reviewing financial and internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget), accounting policies and practices with the management of the Group, and internal and external auditors of the Company.

During the year ended 31 December 2010, the Audit Committee held six meetings. The attendance of the members of the Audit Committee at the Audit Committee's meetings (either in person or by phone) is set out as follows:

Name of the members of the Audit Committee	Number of attendance
Lam Kin Kau, Mark	6/6
Fung Hoi Wing, Henry	6/6
Lau Ho Wai, Lucas	6/6

For the year ended 31 December 2010, the members of the Audit Committee have met with the Group's external auditors to discuss the annual audit plan. The meeting of the Audit Committee was attended by the members of the Audit Committee and the external auditors of the Company. The external auditors also made presentations to the Audit Committee on the findings on key issues addressed in the annual audit.

For the year ended 31 December 2010, the Audit Committee reviewed the accounting principles and practices adopted by the Company and discussed with the management of the Group the financial reporting matters. The Audit Committee also reviewed the internal control and risk management system of the Group with the internal auditors. The Audit Committee also reviewed the quarterly results for the period ended 31 March 2010, 30 September 2010, the half-yearly results for the period ended 30 June 2010 and the annual results for year ended 31 December 2010 of the Company, and confirmed that the preparation of such complied with the applicable accounting principles and practices adopted by the Company, the requirements of the Stock Exchange and adequate disclosures has been made, before announcement of these results.

The Audit Committee recommended to the Board to review the re-appointment of Messrs. Crowe Horwath (HK) CPA Limited, who was appointed during the year ended 31 December 2010 to fill the casual vacancy left by the resignation of Messrs. Ernst & Young by the Board with recommendations from the Audit Committee, as the Company's external auditors subject to the Shareholders' approval at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE REPORT

NOMINATION OF THE DIRECTORS

The Company has not set up the nomination committee, the establishment of which is only a recommended best practice of the Code.

The Board is empowered under the articles of association of the Company to appoint any person as a Director either to fill a casual vacancy on or as an additional member to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience relevant to the Company's businesses. It is believed that the members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

During the year ended 31 December 2010, two new Directors were appointed to the Board to fill the casual vacancies left by the resignations of Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt as directors of the Company pursuant to the terms and conditions of the sale and purchase agreement on 22 November 2010 between Manistar and MCL, both were substantial shareholder of the Company.

After the financial year end, three more directors, namely, Mr. Yeh Shuen Ji, Mr. Bai Baohua and Mr. Wong Shui Lung were appointed in January 2011.

AUDITORS' REMUNERATION

During the year ended 31 December 2010, the remuneration paid to the external auditors of the Company, Messrs. Crowe Horwath (HK) CPA Limited, is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	568

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the external auditors of the Company, Messrs. Crowe Horwath (HK) CPA Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Independent Auditors' Report" in this Annual Report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Board therefore continues to adopt the going concern approach in preparing the accounts.

INTERNAL CONTROL AND INTERNAL AUDIT

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control system and reviewing their effectiveness. The Group's internal control system has been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. Through the Company's internal audit team, the Board has conducted a review of the effectiveness of the internal control system of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions.

The internal audit team of the Company reviews the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The internal audit team of the Company presents their internal audit plan annually to the Chairman for approval and they also discuss and agree their audit plan with the Audit Committee at the Audit Committee's meeting.

REPORT OF THE DIRECTORS

The directors of the Company present their report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2010.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 5 November 2010, the name of the Company was changed from "CCT Resources Holdings Limited" to "Merdeka Resources Holdings Limited". The Chinese name of the Company adopted for identification purposes was changed from "中建資源集團有限公司" to "萬德資源集團有限公司".

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The subsidiaries are engaged in the forestry business, plantation business and trading business. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 89.

The directors do not recommend payment of any dividend for the year (2009: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial periods/years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 90. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the period are set out in note 17 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the period, together with the reasons therefor, are set out in notes 28, 29 and 27 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (Revised) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2010.

RESERVES

Details of movements in the reserves of the Company and the Group during the year/period are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands, amounted to HK$287,103,000 (2009: HK$285,456,000). This included the Company's share premium account amounting to HK$463,568,000 (2009: HK$412,400,000) which is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the financial period/year is as follows:

	Percentage of the Group's total sales	
	Year ended 31 December 2010	Period ended 31 December 2009
Largest customer	**100%**	100%
Five largest customers	**100%**	100%

	Percentage of the Group's total purchase	
	Year ended 31 December 2010	Period ended 31 December 2009
Largest supplier	**45%**	28%
Five largest suppliers	**87%**	69%

None of the directors of the Company or any of their associates or any shareholders of the Company (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2010 and up to the date of this Annual Report were as follows:

Executive Directors:

Ma Hang Kon, Louis	(Resigned on 15 January 2010 and re-appointed on 23 November 2010)
Lai Wing Hung	(Appointed on 23 November 2010)
Wong Shui Lung	(Appointed on 9 August 2010, resigned on 13 August 2010 and re-appointed on 27 January 2011)
Mak Shiu Tong, Clement	(Resigned on 23 November 2010)
Tam Ngai Hung, Terry	(Resigned on 23 November 2010)
Cheng Yuk Ching, Flora	(Resigned on 23 November 2010)
William Donald Putt	(Resigned on 23 November 2010)

Non-executive Directors:

Yeh Shuen Ji	(Appointed on 27 January 2011)
Bai Baohua	(Appointed on 27 January 2011)

Independent non-executive Directors:

Lam Kin Kau, Mark
Fung Hoi Wing, Henry
Lau Ho Wai, Lucas

In accordance with article 86(3) of the Company's articles of association, Mr. Ma Hang Kon, Louis, Mr. Lai Wing Hung, Mr. Yeh Shuen Ji, Mr. Bai Baohua and Mr. Wong Shui Lung, all being additional directors, appointed by the board will hold office until the next following annual general meeting of the Company, and being eligible, they offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with article 87 of the Company's articles of association, Mr. Lam Kin Kau, Mark, being the longest in office since his last re-election in the year 2008, has to retire at the forthcoming AGM of the Company.

INEDs of the Company are not appointed for any specific terms. According to the articles of association of the Company, all Directors (except the Chairman and the managing director) are subject to retirement by rotation and re-election at the annual general meeting of the Company.

The Company has received from each of the INEDs of the Company an annual confirmation of his independence pursuant to Rule 5.09 of The GEM Listing Rules and, as at the date of this Annual Report, still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the INEDs was not appointed for any specified length of service with the Company but is subject to retirement by rotation in accordance with the Company's articles of association.

Each of the non-executive Directors has entered into an appointment letter with the Company for a term of two years.

The three executive Directors, namely Mr. Ma Hang Kon, Louis, Mr. Lai Wing Hung and Mr. Wong Shui Lung have each entered into a two-year service contract with the Company commencing from 23 November 2010 (both for Mr. Ma Hang Kon, Louis and Mr. Lai Wing Hung) and 27 January 2011 (for Mr. Wong Shui Lung) respectively.

No Director had a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2010.

SHARE OPTION SCHEME

The Share Option Scheme of the Company was effective on 7 March 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2010, there were 258,500,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 258,500,000, which represents approximately 4.85% and 4.85% of the total issued share capital of the Company as at 31 December 2010 and the date of this announcement, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 258,500,000 additional ordinary shares of the Company, additional share capital of HK$2,585,000 and share premium of HK$32,262,000 (before the share issue expenses).

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

	Number of share options								
Name or category of the participants	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 December 2010	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
Executive director									
Ma Hang Kon, Louis	5,000,000	–	5,000,000	–	–	6/10/2008	6/4/2009 – 13/8/2011	0.195	0.185
(resigned on 15 January 2010 and re-appointed on 23 November 2010)	5,000,000	–	–	5,000,000	–	6/10/2008	6/10/2009 – 13/8/2011	0.195	0.185
	10,000,000	–	5,000,000	5,000,000	–				
Independent non-executive directors									
Fung Hoi Wing, Henry	3,500,000	–	–	–	3,500,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
Lau Ho Wai, Lucas	3,500,000	–	–	–	3,500,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
Lam Kin Kau, Mark	3,500,000	–	–	–	3,500,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
	10,500,000	–	–	–	10,500,000				

REPORT OF THE DIRECTORS

Name or category of the participants	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 December 2010	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
	Number of share options								
Others									
Mak Shiu Tong, Clement	22,500,000	–	–	–	22,500,000	5/7/2006	14/8/2006 – 13/8/2011	0.038	0.035
Tam Ngai Hung, Terry	18,000,000	–	–	–	18,000,000	5/7/2006	14/8/2006 – 13/8/2011	0.038	0.035
	40,500,000	–	–	–	40,500,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
Cheng Yuk Ching, Flora	5,000,000	–	–	–	5,000,000	5/7/2006	14/8/2006 – 13/8/2011	0.038	0.035
	46,000,000	–	–	–	46,000,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
William Donald Putt	5,000,000	–	–	–	5,000,000	5/7/2006	14/8/2006 – 13/8/2011	0.038	0.035
	3,500,000	–	–	–	3,500,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
Pang Tung Choi	90,000,000	–	–	–	90,000,000	7/7/2009	11/8/2009 – 6/3/2012	0.160	0.157
Other eligible participants in aggregate	4,000,000	–	–	–	4,000,000	14/11/2008	14/5/2009 – 13/8/2011	0.116	0.112
	4,000,000	–	–	–	4,000,000	14/11/2008	14/11/2009 – 13/8/2011	0.116	0.112
	9,500,000	–	–	–	9,500,000	7/7/2009	7/7/2009 – 6/3/2012	0.160	0.157
	248,000,000	–	–	–	248,000,000				
	268,500,000	–	5,000,000	5,000,000	258,500,000				

Notes:

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital.

2. The price of the shares of the Company before the date of the grant of the share options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

During the year ended 31 December 2010, no additional share option was granted by the Company.

As at the date of this report, 43,000,000 and 63,000,000 share options were granted subsequent to the balance sheet date respectively on 24 January 2011 and 25 March 2011. As a result, the Company had 364,500,000 share options outstanding under the Share Option Scheme, which represented approximately 6.84% of the shares in issue as at that date.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, 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 SFO as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or Rule 5.46 of the GEM Listing Rules:

Interests and short positions in the shares and the underlying shares of the share options of the Company as at 31 December 2010

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

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company
	Personal	Corporate	Total	(%)
Ma Hang Kon, Louis	9,800,000	–	–	0.18
Lai Wing Hung (Note)	75,000,000	1,277,680,000	1,352,680,000	25.39
Fung Hoi Wing, Henry	550,000	–	–	0.01
Lau Ho Wai, Lucas	950,000	–	–	0.02

Note: Of the shareholdings in which Mr. Lai Wing Hung was interested, 1,277,680,000 shares of the Company were held by MCL. Mr. Lai Wing Hung is deemed to be interested in such shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through his 30% personal shareholdings in MCL and through his 100% shareholdings in Merdeka Finance Group Limited ("MFGL"), which in turn held 70% shareholdings in MCL as at 31 December 2010. The remaining 75,000,000 shares of the Company were beneficially owned by Mr. Lai Wing Hung personally.

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

Name of directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Fung Hoi Wing, Henry	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.07
Lau Ho Wai, Lucas	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.07
Lam Kin Kau, Mark	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.07

REPORT OF THE DIRECTORS

(iii) Long positions in the underlying shares of the convertible bonds of the Company as at 31 December 2010:

Name of the holder of the convertible bonds	Description of equity derivatives	Principal amount of the convertible bonds HK$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Lai Wing Hung	MCL Convertible Bonds (Note)	504,880,000	5,048,800,000	94.76

Note: The MCL Convertible Bonds, due on 12 August 2011, are unlisted, interest-free and convertible into the shares of the Company (subject to conversion restrictions and conversion lock-up provisions pursuant to the MCL Convertible Bonds) at the conversion price of HK$0.10 per share of the Company (subject to adjustment pursuant to the MCL Convertible Bonds). Mr. Lai Wing Hung is deemed to be interested in such underlying shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through his 30% personal shareholding in MCL and through his 100% shareholding in MFGL, which in turn held 70% shareholding in MCL as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, 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 year ended 31 December 2010 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2010, 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 as at 31 December 2010:

Name of shareholders	Capacity and nature of interest	Notes	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
MCL	Directly beneficially owned		1,277,680,000	23.98
MFGL	Through a controlled corporation	1	1,277,680,000	23.98
Manistar	Directly beneficially owned		1,331,764,070	24.99
CCT Capital International Holdings Limited	Through a controlled corporation	2	1,331,764,070	24.99
CCT Telecom	Through a controlled corporation	2	1,331,764,070	24.99
Mak Shiu Tong, Clement	Directly beneficially owned and through a controlled corporation	2 and 3	1,351,108,070	25.35

Notes:

1. The 1,277,680,000 shares of the Company were held by MCL, a subsidiary of MFGL which is deemed to be interested in such shares of the Company under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through its shareholding of 70% of the total issued share capital in MCL as at 31 December 2010.

2. The shares of the Company were held by Manistar, which is wholly-owned by CCT Capital International Holdings Limited which in turn is a wholly-owned subsidiary of CCT Telecom.

3. Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, 1,331,764,070 shares of the Company were beneficially held by Manistar, an indirect wholly-owned subsidiary of CCT Telecom. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom through his controlling interest in the shareholding of CCT Telecom as at 31 December 2010. The remaining 19,344,000 shares of the Company were beneficially owned by Mr. Mak Shiu Tong, Clement personally.

REPORT OF THE DIRECTORS

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

Name of holder of the share options	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 (%)
Mak Shiu Tong, Clement	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.42

(iii) Long positions in the underlying shares of the convertible bonds of the Company as at 31 December 2010:

Name of the holders of the convertible bonds	Description of equity derivatives	Principal amount of the convertible bonds HK$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
MCL	MCL Convertible Bonds (Note)	504,880,000	5,048,800,000	94.76
MFGL	MCL Convertible Bonds (Note)	504,880,000	5,048,800,000	94.76

Note: The MCL Convertible Bonds, due on 12 August 2011, are unlisted, interest-free and convertible into the shares of the Company (subject to conversion restrictions and conversion lock-up provisions pursuant to the MCL Convertible Bonds) at the conversion price of HK$0.10 per share of the Company (subject to adjustment pursuant to the MCL Convertible Bonds). MFGL is deemed to be interested in such underlying shares of the Company under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through its shareholding of 70% of the total issued share capital in MCL as at 31 December 2010.

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 31 December 2010, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code set out in Appendix 15 to the GEM Listing Rules throughout the financial period under review, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the GEM Listing Rules throughout the financial period under review and up to the date of this Annual Report.

REPORT OF THE DIRECTORS

AUDITORS

The financial statements for the period ended 31 December 2010 have been audited by Messrs. Crowe Horwath (HK) CPA Limited, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM of the Company.

ON BEHALF OF THE BOARD

Ma Hang Kon, Louis
Chief Executive Officer

Hong Kong
25 March 2011

Independent Auditor's Report

Crowe Horwath

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港銅鑼灣希慎道33號利園34樓
34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

To the shareholders of Merdeka Resources Holdings Limited (Formerly known as CCT Resources Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Merdeka Resources Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2010 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
25 March 2011

Alvin Yeung Sik Hung
Practising Certificate Number P05206

Consolidated Income Statement

Year ended 31 December 2010

	Notes	Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
REVENUE	7	**6,715**	6,970
Cost of sales		**(6,614)**	(6,785)
Gross profit		**101**	185
Other income and other net gain	7	**516**	711
Administrative expenses		**(28,665)**	(18,904)
Operating expenses for plantation activities		**(10,491)**	–
Change in fair value of biological assets less cost to sell		**4,843**	–
Equity-settled share option expenses		**–**	(11,984)
Loss from operations		**(33,696)**	(29,992)
Finance costs	10	**(33,758)**	(28,630)
LOSS BEFORE TAX	8	**(67,454)**	(58,622)
Income tax	13	**–**	–
LOSS FOR THE YEAR/PERIOD		**(67,454)**	(58,622)
Attributable to:			
Owners of the Company	14	**(64,294)**	(57,436)
Non-controlling interests		**(3,160)**	(1,186)
LOSS FOR THE YEAR/PERIOD		**(67,454)**	(58,622)
LOSS PER SHARE	16		
Basic and diluted		**(HK1.2 cents)**	(HK1.3 cents)

The notes on pages 39 to 89 form part of these financial statements.

Details of dividends payable to owners of the Company for the year are set out in note 15.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
LOSS FOR THE YEAR/PERIOD	**(67,454)**	(58,622)
Other comprehensive (loss)/income		
Exchange difference on translation of financial statements of overseas subsidiaries	**(429)**	1,038
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	**(67,883)**	(57,584)
Total comprehensive loss attributable to:		
Owners of the Company	**(64,723)**	(56,398)
Non-controlling interests	**(3,160)**	(1,186)
	(67,883)	(57,584)

The notes on pages 39 to 89 form part of these financial statements.

Consolidated Statement of Financial Position

31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**37,101**	35,460
Forest concessions	18	**833,535**	833,801
Biological assets	19	**6,635**	–
Total non-current assets		**877,271**	869,261
Current assets			
Trade receivables	21	**–**	3,479
Prepayments, deposits and other receivables	22	**5,951**	12,253
Pledged deposits	23	**–**	4,238
Cash and cash equivalents	23	**68,569**	101,439
Total current assets		**74,520**	121,409
Total assets		**951,791**	990,670
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Issued capital	28	**53,281**	48,231
Reserves	30(a)	**372,719**	396,106
		426,000	444,337
Non-controlling interests		**37,741**	40,901
Total equity		**463,741**	485,238
Non-current liabilities			
Convertible bonds	27	**–**	497,304
Current liabilities			
Trade payables	24	**–**	3,427
Other payables and accruals	25	**2,398**	4,701
Convertible bonds	27	**485,652**	–
Total current liabilities		**488,050**	8,128
Total liabilities		**488,050**	505,432
Total equity and liabilities		**951,791**	990,670
Net current (liabilities)/assets		**(413,530)**	113,281
Total assets less current liabilities		**463,741**	982,542

Ma Hang Kon, Louis
Director

Lai Wing Hung
Director

The notes on pages 39 to 89 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

		Attributable to owners of the Company									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009		42,031	351,925	66,710	116,875	1,659	(560)	(144,772)	433,868	42,087	475,955
Changes in equity for 2009:											
Loss for the year		–	–	–	–	–	–	(57,436)	(57,436)	(1,186)	(58,622)
Other comprehensive income		–	–	–	–	–	1,038	–	1,038	–	1,038
Total comprehensive income		–	–	–	–	–	1,038	(57,436)	(56,398)	(1,186)	(57,584)
Issue of new shares upon conversion of convertible bonds	27	6,200	60,475	–	(11,792)	–	–	–	54,883	–	54,883
Equity-settled share option arrangements	29	–	–	–	–	11,984	–	–	11,984	–	11,984
At 31 December 2009 and 1 January 2010		48,231	412,400*	66,710*	105,083*	13,643*	478*	(202,208)*	444,337	40,901	485,238
Changes in equity for 2010:											
Loss for the year		–	–	–	–	–	–	(64,294)	(64,294)	(3,160)	(67,454)
Other comprehensive income		–	–	–	–	–	(429)	–	(429)	–	(429)
Total comprehensive income		–	–	–	–	–	(429)	(64,294)	(64,723)	(3,160)	(67,883)
Issue of shares upon conversion of convertible bonds	27	5,000	49,880	–	(9,469)	–	–	–	45,411	–	45,411
Issue of new shares upon exercise of share options	28	50	1,288	–	–	(363)	–	–	975	–	975
Forfeiture of share options		–	–	–	–	(365)	–	365	–	–	–
At 31 December 2010		53,281	463,568*	66,710*	95,614*	12,915*	49*	(266,137)*	426,000	37,741	463,741

* These reserve accounts comprise the consolidated reserves of HK$372,719,000 (2009: HK$396,106,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(67,454)**	(58,622)
Adjustments for:			
Finance costs	10	**33,758**	28,630
Interest income	7	**(60)**	(52)
Depreciation		**5,340**	2,732
Loss on disposal of property, plant and equipment		**109**	–
Gain on disposal of subsidiaries	9	**(441)**	–
Amortisation of forest concessions	18	**266**	–
Fair value gain on biological assets less cost to sell	19	**(4,843)**	–
Equity-settled share option expenses		**–**	11,984
		(33,325)	(15,328)
Decrease/(increase) in trade receivables		**3,479**	(2,645)
Decrease/(increase) in prepayments, deposits and other receivables		**6,302**	(8,973)
(Decrease)/increase in trade payables		**(3,427)**	2,610
Decrease in other payables and accruals		**(2,197)**	(2,289)
Net cash used in operating activities		**(29,168)**	(26,625)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**60**	52
Purchase of property, plant and equipment	17	**(7,382)**	(14,150)
Purchase of biological assets	19	**(1,792)**	–
Proceeds from disposals of property, plant and equipment		**–**	13
Decrease/(increase) in pledged deposits		**4,238**	(4,238)
Net cash used in investing activities		**(4,876)**	(18,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		**975**	–
Net cash generated from financing activities		**975**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(33,069)**	(44,948)
Cash and cash equivalents at beginning of year/period		**101,439**	145,349
Effect of foreign exchange rate changes, net		**199**	1,038
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		**68,569**	101,439
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows	23	**68,569**	101,439

Statement of Financial Position

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**932,146**	919,927
Current assets			
Prepayments, deposits and other receivables	22	**177**	176
Cash and cash equivalents	23	**58,205**	98,044
Total current assets		**58,382**	98,220
Total assets		**990,528**	1,018,147
EQUITY AND LIABILITIES			
Issued capital	28	**53,281**	48,231
Reserves	30(b)	**413,835**	422,385
Total equity		**467,116**	470,616
Non-current liabilities			
Convertible bonds	27	**–**	497,304
Current liabilities			
Other payables and accruals	25	**150**	150
Due to a subsidiary	20	**37,610**	50,077
Convertible bonds	27	**485,652**	–
Total current liabilities		**523,412**	50,227
Total liabilities		**523,412**	547,531
Total equity and liabilities		**990,528**	1,018,147
Net current (liabilities)/assets		**(465,030)**	47,993
Total assets less current liabilities		**467,116**	967,920

Ma Hang Kon, Louis
Director

Lai Wing Hung
Director

The notes on pages 39 to 89 form part of these financial statements.

Notes to the Financial Statements

31 December 2010

1. CORPORATE INFORMATION

The Company is a limited company incorporated in the Cayman Islands, its registered office is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is located at Room 1903A, The Sun's Group Centre, No. 200 Gloucester Road, Wanchai, Hong Kong.

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 5 November 2010, and the approval by the Registrar of the Companies in the Cayman Islands on 5 November 2010, the name of the Company has been changed from "CCT Resources Holdings Limited" to "Merdeka Resources Holdings Limited" with the adoption of the new Chinese name "萬德資源集團有限公司" to replace "中建資源集團有限公司" for identification purpose.

The Company's immediate parent company is Merdeka Commodities Limited ("MCL") whereas the directors consider that the Company's ultimate controlling parent company is Merdeka Finance Group Limited, both companies not being listed companies and neither of them produces financial statements for public use.

During the year ended 31 December 2010, the principal activity of the Company was investment holding. The principal activities of the subsidiaries comprised trading business, forestry business and plantation business.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), (which include all Hong Kong Financial Reporting Standards, 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 Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Group sustained loss attributable to owners of the Company of approximately HK$64,294,000 for the year (2009: HK$57,436,000) and had net current liabilities of approximately HK$413,530,000 as at the end of the reporting period (2009: net current assets HK$113,281,000).

In preparing these financial statements, the directors of the Company have given careful consideration to the impact on the current and anticipated future liquidity of the Group and the ability of the Group to attain positive cash flow operations in the immediate and longer term.

In order to strengthen the capital base of the Group and to improve the Group's financial position, liquidity and cash flows in the immediate foreseeable future, and otherwise to sustain the Group as a going concern, the directors have adopted the following measures.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Financial support by immediate parent company

MCL, the immediate parent company of the Group and the holder of the convertible bonds, agrees to provide additional financial support as and when required, and subordinate its right to receive repayment of the convertible bonds owing to MCL from the Company.

In the opinion of the Directors, in light of the measures taken to date, the Group will have sufficient working capital for its current requirements. Accordingly, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statement is the historical cost basis, except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– biological assets (see note 3(e))

These financial statements, when otherwise indicated are presented in Hong Kong Dollars ("HK$"), rounded to the nearest thousand.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010
Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests (please describe how the adjustment to non-controlling interest is determined) was recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less impairment losses (see note 3(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(c) Business combinations

Business combinations on or after 1 January 2010
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

Business combinations on or after 1 January 2010 (Continued)
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that

- deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of acquisition are recognised and measured in accordance with HKAS 12, Income Tax;

- liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

- liabilities or equity instruments relating to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

Business combinations on or after 1 January 2010 (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

(d) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 3(i)):

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	12.5% to 20%
Roads and bridges	20%
Leasehold improvement	20%
Computer and office equipment	20% to 33%
Motor vehicles	25%

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress represents buildings under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(e) Biological assets

Biological assets are living plants which are subject to agricultural activities of the transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets. Biological assets are measured at their fair value less cost to sell. Agricultural produce harvested from the Group's biological assets are measured at its fair value less cost to sell at the point of harvest.

(f) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses or at their revalued amounts, being the fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Forest concessions acquired by the Group are stated at cost less accumulated amortisation and any accumulated impairment losses. These forest concessions give the Groups rights to logging trees in the allocated concession forests in designated areas in the Papua Province of Indonesia. Amortisation is charged on a unit of production basis over the estimated useful lives of forest concession rights.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating leases charges
Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(h) Investments and other financial assets

Initial recognition and measurement
Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follow:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets

(i) Impairment of investment in equity securities and other receivables

Investment in equity securities (other than investments in subsidiaries: see note 3(i)(ii) and other current and non-current receivables that are carried at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in a equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed.

Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the profit or loss.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– interest in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 3(i)).

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(k) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and convertible bonds.

Convertible bonds
The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit and loss.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to bid price for long positions and ask price for short positions, without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(o)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(o)(ii).

(ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are carried at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods
Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

(ii) Interest income
Interest income is recognised as it accrues using the effective interest method.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans
Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Foreign currencies translation

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in the other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries established in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Foreign currencies translation (Continued)

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRS 1 (Amendments)	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 36 (Revised)	Amendments to HKAS 36 *Impairment of Assets*
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement – eligible hedged items
HK(IFRIC)-Int 9 (Revised)	*Reassessment of Embedded Derivatives*
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(Int) 4 (Revised)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK(Int) 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Financial Statements

31 December 2010

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 3 (revised 2008), Business combinations

As a result of the adoption of HKFRS 3 (revised 2008), any business combination occurring on or after 1 January 2010 will be recognised in accordance with the requirements under HKFRS 3 (revised 2008). Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Consequently, the goodwill recognised in respect of the acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the recognised amount of the identifiable net assets of the acquiree.

- HKFRS 3 (revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments, if any, to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, with those costs being recognised as an expense in profit or loss as incurred. Previously, they were accounted for as part of the cost of the acquisition.

HKFRS 3 (revised 2008) requires that where the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

HKFRS 3 (revised 2008), Business combinations

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying amounts of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

HKAS 27 (revised 2008), Consolidated and Separate Financial Statements

The application of HKAS 27(amended 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Previously, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised. For decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (amended 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

Notes to the Financial Statements

31 December 2010

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKAS 27 (revised 2008), Consolidated and Separate Financial Statements (Continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (amended 2008) requires the derecognition of all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In accordance with the transitional provisions of HKAS27, these changes in accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Revisions to HKAS 27 (revised 2008) have not had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of such previous transactions.

Amendments to HKAS 7 Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

The application of the amendments to HKAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in HKAS 38 *Intangible Assets* for capitalisation as part of an internally generated intangible asset in the consolidated statement of cash flows. This change has been applied retrospectively.

5. ACCOUNTING ESTIMATES AND JUDGEMENT

(a) Key sources of Estimation Uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Amortisation of forest concessions
Forest concessions are amortised on a unit of production basis over the estimated useful lives. The determination of the useful lives involves management's estimation. The Group reassesses the useful life of the forest concessions and if the expectation differs from the original estimate, such a difference may impact the amortisation in the years and the estimate will be changed in the future period.

(ii) Property, plant and equipment and depreciation
The Group management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Financial Statements

31 December 2010

5. ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

(a) Key sources of Estimation Uncertainty (Continued)

(iii) Impairment of assets

The Group's has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(iv) Income tax

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be charged. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Fair values of biological assets

Management estimates at the end of the reporting period the fair value of biological assets less costs to sell with reference to market prices and professional valuations. Unanticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Going concern

The Group has net current liabilities as at the end of the reporting period and depends on the immediate parent company and the holder, MCL, to provide additional financial support as and when required, and sub-ordinate its right to receive repayment of the convertible bonds owing to MCL from the Company.

Should the economic environment or market conditions in the environment in which the immediate parent company operate change and the financial support from shareholders withdrawn and the convertible bonds are required to be redeemed immediately, there may have an adverse significant consequential effect on the Group's existence as a going concern.

As mentioned in note 3(a) to the financial statements, the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due and the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustment would have to be made to reduce the carrying amount of the Group's assets to their net realisable amounts, reclassify non-current assets and liabilities to current assets and liabilities, and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the Group.

Notes to the Financial Statements

31 December 2010

6. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the trading business segment engages in the trading of products, components and accessories;

(b) the forestry business segment engages in logging of trees, the operations of sawmills and the processing, production and export of sawn timber, other timber and wood products; and

(c) the plantation business segment engages in plantation of oil palm and sale of palm oil.

Executive directors, who are the chief operating decision makers, monitor the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, equity-settled share option expenses, as well as head office and corporate expenses are excluded from such measurement.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets include non-current assets and current assets with the exception of certain assets unallocated to an individual reportable segment.

Segment liabilities include non-current liabilities and current liabilities with the exception of convertible bonds, tax payable and corporate liabilities as these liabilities are managed on a group basis.

For the year ended 31 December 2010

HK$'000	Trading business	Forestry business	Plantation business	Total	Reconciliations	Group Total
Segment revenue:						
Revenue from external customers	6,715	–	–	6,715	–	6,715
Operating loss	(73)	(26,560)	(10,491)	(37,124)	–	(37,124)
Interest income	–	44	–	44	16	60
Finance costs	–	(33,758)	–	(33,758)	–	(33,758)
Fair value gain on biological assets less cost to sell	–	–	4,843	4,843	–	4,843
Reconciled items:						
Unallocated expenses	–	–	–	–	(1,475)	(1,475)
Loss before tax	(73)	(60,274)	(5,648)	(65,995)	(1,459)	(67,454)
Additions to non-current assets	–	7,382	1,792	9,174	–	9,174
Fair value gain on biological assets less cost to sell	–	–	4,843	4,843	–	4,843
Depreciation	–	(5,340)	–	(5,340)	–	(5,340)
Amortisation of forest concessions	–	(266)	–	(266)	–	(266)

Notes to the Financial Statements

31 December 2010

6. SEGMENT REPORTING (Continued)

For the period from 1 April 2009 to 31 December 2009

HK$'000	Trading business	Forestry business	Total	Reconciliations	Group Total
Segment revenue:					
Revenue from external customers	6,970	–	6,970	–	6,970
Operating loss	(161)	(17,899)	(18,060)	–	(18,060)
Interest income	–	52	52	–	52
Finance costs	–	(28,630)	(28,630)	–	(28,630)
Reconciled items:					
Unallocated expenses					
Equity-settled share option expenses	–	–	–	(11,984)	(11,984)
Loss before tax	(161)	(46,477)	(46,638)	(11,984)	(58,622)
Additions to non-current assets	–	14,150	14,150	–	14,150
Depreciation	–	(2,732)	(2,732)	–	(2,732)

As at 31 December 2010

HK$'000	Trading business	Forestry business	Plantation business	Total	Reconciliations	Group Total
Segment assets	**3,416**	**883,358**	**6,635**	**893,409**	**–**	**893,409**
Reconciled items:						
Cash and cash equivalents			**–**	**–**	**58,205**	**58,205**
Unallocated assets	**–**	**–**	**–**	**–**	**177**	**177**
Total assets	**3,416**	**883,358**	**6,635**	**893,409**	**58,382**	**951,791**
Segment liabilities	**160**	**2,088**	**–**	**2,248**	**–**	**2,248**
Convertible bonds	**–**	**485,652**	**–**	**485,652**	**–**	**485,652**
Reconciled items:						
Unallocated liabilities	**–**	**–**	**–**	**–**	**150**	**150**
Total liabilities	**160**	**487,740**	**–**	**487,900**	**150**	**488,050**

Notes to the Financial Statements

31 December 2010

6. SEGMENT REPORTING (Continued)

As at 31 December 2009

HK$'000	Trading business	Forestry business	Total	Reconciliations	Group Total
Segment assets	4,925	887,525	892,450	–	892,450
Reconciled items:					
Unallocated assets	–	–	–	98,220	98,220
Total assets	4,925	887,525	892,450	98,220	990,670
Segment liabilities	3,637	4,341	7,978	–	7,978
Convertible bonds	–	497,304	497,304	–	497,304
Reconciled items:					
Unallocated liabilities	–	–	–	150	150
Total liabilities	3,637	501,645	505,282	150	505,432

Geographical information

(a) Revenue from external customers

	Note	**Year ended 31 December 2010 HK$'000**	Period from 1 April 2009 to 31 December 2009 HK$'000
Mainland China	7	**6,715**	6,970

The revenue information above is based on the location of the customers.

(b) Non-current assets

	31 December 2010 HK$'000	31 December 2009 HK$'000
Indonesia	**869,308**	860,656
Hong Kong (place of domicile)	**7,963**	8,605
	877,271	869,261

The non-current asset information above is based on the location of assets.

Information about a major customer

Revenue of HK$6,715,000 for the year ended 31 December 2010 (period ended 31 December 2009: HK$6,641,000) was derived from sales by the trading business segment to a single customer.

Notes to the Financial Statements

31 December 2010

7. REVENUE, OTHER INCOME AND OTHER NET GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year/period.

An analysis of revenue, other income and other net gain are as follows:

	Note	**Year ended 31 December 2010 HK$'000**	Period from 1 April 2009 to 31 December 2009 HK$'000
Revenue			
Sale of goods attributable to the trading business		**6,715**	6,970
Other income			
Interest income on bank deposit		**60**	52
Others		**15**	659
		75	711
Other net gain			
Gain on disposal of subsidiaries	9	**441**	–
		516	711

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8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

		Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
(a)	Staff costs (including directors' emoluments (note 11)):		
	Salaries, wages and other benefits	**9,622**	7,945
	Equity-settled share option expenses	**–**	11,984
	Pension scheme contributions	**203**	77
		9,825	20,006
(b)	Other items:		
	Auditors' remuneration		
	– Audit services	**568**	600
	Depreciation	**5,340**	2,732
	Cost of inventories sold	**6,614**	6,785
	Minimum lease payments under operating leases:		
	Land and buildings	**2,183**	1,655
	Loss on disposal of property, plant and equipment	**109**	–
	Amortisation of forest concessions	**266**	–
	Fair value gain on biological assets less cost to sell	**(4,843)**	–
	Foreign exchange loss/(gain), net	**281**	(570)

Notes to the Financial Statements

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9. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2010

(i) On 26 July 2010, the Company disposed a subsidiary named Wonderful Goal Investments Limited to an independent third party at a consideration of HK$100. Wonderful Goal Investments Limited held 100% of Tradeeasy Information Technology (Beijing) Limited. Both of the companies are dormant during the year.

Net assets disposed of

	31 December 2010 HK$'000
Amounts due from the Group	4,512
Accruals and other payables	(63)
	4,449
Less: Exchange reserves	(488)
Net assets disposed	3,961
Less: Waive of amounts due from the Group	(4,512)
Gain on disposal of subsidiaries	(551)*

	HK$
Analysis of the net inflow of cash and cash equivalents in respect of the disposal	
Cash received	100
Cash and bank balances disposed	(343)
Net cash outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(243)

Notes to the Financial Statements

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9. DISPOSAL OF SUBSIDIARIES (Continued)

(a) For the year ended 31 December 2010 (Continued)

(ii) On 21 November 2010, the Company deregistered a subsidiary named Tradeeasy Information Technology (Guangzhou) Limited. The company is dormant and undergoes deregistration during the year.

Net liabilities written off

	31 December 2010 HK$'000
Amounts due to the Group	**(18,139)**
Accruals and other payables	**(41)**
	(18,180)
Less: Exchange reserves	**151**
Net liabilities written off	**(18,029)**
Less: Waive of amount due to the Group	**18,139**
Loss on disposal of subsidiaries	**110***
	HK$
Analysis of the net inflow of cash and cash equivalents in respect of the disposal	
Cash received	**–**
Cash and bank balances disposed	**(44)**
Net cash outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(44)**

* Net gain on disposal of subsidiaries was approximately HK$441,000 (2009: HK$ Nil).

10. FINANCE COSTS

	Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
Interest on convertible bonds (note 27)	**33,758**	28,630

The charge represents the imputed interest on the liability component of the convertible bonds for the year/period.

Notes to the Financial Statements

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11. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year/period, disclosed pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
Executive directors:		
Fees	**–**	–
Other emoluments:		
Salaries, housing allowances, other allowances and benefits in kind	**770**	2,525
Pension scheme contributions	**5**	16
Equity-settled share option expenses	**–**	5,646
	775	8,187
Independent non-executive directors:		
Fees	**180**	135
Equity-settled share option expenses	**–**	618
	180	753
	955	8,940

During the period from 1 April 2009 to 31 December 2009, certain directors were granted share options, in respect of their services to the Group under the Company's share option scheme, further details of which are set out in note 29 to the financial statements. The share options have been vested upon the date of grant. The fair value of such share options which has been recognised in the profit and loss, was determined as at the date of grant and the amount included in the financial statements for the period is included in the above directors' emoluments disclosures.

Notes to the Financial Statements

31 December 2010

11. DIRECTORS' EMOLUMENTS (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year/period were as follows:

	Fees HK$'000	Equity-settled share option expense HK$'000	Total HK$'000
Year ended 31 December 2010:			
Lam Kin Kau, Mark	**60**	**–**	**60**
Fung Hoi Wing, Henry	**60**	**–**	**60**
Lau Ho Wai, Lucas	**60**	**–**	**60**
	180	**–**	**180**
Period from 1 April 2009 to 31 December 2009:			
Lam Kin Kau, Mark	45	206	251
Fung Hoi Wing, Henry	45	206	251
Lau Ho Wai, Lucas	45	206	251
	135	618	753

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

Notes to the Financial Statements

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11. DIRECTORS' EMOLUMENTS (Continued)

(b) Executive directors

	Salaries, housing allowances, other allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expenses	Total emoluments
	Hk$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2010:				
Ma Hang Kon, Louis (note 1)	**643**	**3**	**–**	**646**
Lai Wing Hung (note 1)	**127**	**2**	**–**	**129**
Mak Shiu Tong, Clement (note 2)	**–**	**–**	**–**	**–**
Tam Ngai Hung, Terry (note 2)	**–**	**–**	**–**	**–**
Cheng Yuk Ching, Flora (note 2)	**–**	**–**	**–**	**–**
William Donald Putt (note 2)	**–**	**–**	**–**	**–**
	770	**5**	**–**	**775**
Period from 1 April 2009 to 31 December 2009:				
Mak Shiu Tong, Clement	–	–	–	–
Tam Ngai Hung, Terry	–	–	2,383	2,383
Cheng Yuk Ching, Flora	–	–	2,707	2,707
William Donald Putt	–	–	206	206
Ma Hang Kon, Louis (note 3)	1,650	9	206	1,865
Chan Hoi Tung, Tony (note 3)	875	7	144	1,026
	2,525	16	5,646	8,187

Note 1: Mr. Ma Hang Kon, Louis had been re-appointed as director of the Company and Mr. Lai Wing Hung had been appointed as director of the Company on 23 November 2010.

Note 2: Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and William Donald Putt resigned as directors of the Company on 23 November 2010.

Note 3: Mr. Ma Hang Kon, Louis and Mr. Chan Hoi Tung, Tony resigned as directors of the Company on 15 January 2010 and 31 October 2009, respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year/period.

Notes to Financial Statements

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12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (period ended 31 December 2009: four) director, details of whose emoluments are set out in note 11 above. Details of the emoluments of the remaining four (period ended 31 December 2009: one) non-directors, highest paid employee for the year are as follows:

	Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
Salaries, allowances and benefits in kind	**1,957**	–
Pension scheme contributions	**27**	–
Equity-settled share option expenses	**–**	5,296
	1,984	5,296

The remuneration of each of the highest paid employee who is not a director of the Company for the year ended 31 December 2010 fell within the range from nil to HK$1,000,000. The emoluments of the highest paid employee who is not a director of the Company for the period from 1 April 2009 to 31 December 2009 fell within the range from HK$5,000,001 to HK$5,500,000.

13. 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 year (period ended 31 December 2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the year.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – Year ended 31 December 2010:

	Indonesia HK$'000	**%**	**Hong Kong HK$'000**	**%**	**Total HK$'000**	**%**
Loss before tax	**(28,578)**		**(38,876)**		**(67,454)**	
Tax at the applicable tax rate	**(7,145)**	**25.0**	**(6,415)**	**16.5**	**(13,560)**	**20.1**
Income not subject to tax	**(11)**	**–**	**(874)**	**2.2**	**(885)**	**1.3**
Expenses not deductible for tax purpose	**–**	**–**	**5,614**	**(14.4)**	**5,614**	**(8.3)**
Tax losses not recognised	**7,156**	**(25.0)**	**1,675**	**(4.3)**	**8,831**	**(13.1)**
Tax charge at the Group's effective rate	**–**	**–**	**–**	**–**	**–**	**–**

Notes to Financial Statements

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13. INCOME TAX (Continued)

Group – Period from 1 April 2009 to 31 December 2009:

	Indonesia		Hong Kong		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(8,273)		(50,349)		(58,622)	
Tax at the applicable tax rate	(2,317)	28.0	(8,308)	16.5	(10,625)	18.1
Income not subject to tax	(10)	0.1	(2)	–	(12)	–
Expenses not deductible for tax	–	–	6,701	(13.3)	6,701	(11.4)
Tax losses not recognised	2,327	(28.1)	1,609	(3.2)	3,936	(6.7)
Tax charge at the Group's effective rate	–	–	–	–	–	–

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2010 includes a loss of HK$49,886,000 (for the period from 1 April 2009 to 31 December 2009: HK$41,857,000) which has been dealt with in the financial statements of the Company (note 30(b)).

15. DIVIDEND

No dividend has been paid or declared by the Company during the year (period ended 31 December 2009: Nil).

16. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the company and the weighted average number of ordinary shares in issue during the year/period.

The calculation of basic and diluted loss per share is based on:

	Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation	**(64,294)**	(57,436)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year/period	5,237,491,466	4,347,003,545

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2010 and the period from 1 April 2009 to 31 December 2009 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 amounts presented.

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17. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress HK$'000	Road and bridges HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2010							
At 1 January 2010:							
Cost	4,233	–	1,020	31,953	676	885	38,767
Accumulated depreciation	–	–	(504)	(2,318)	(207)	(278)	(3,307)
Net carrying amount	4,233	–	516	29,635	469	607	35,460
At 1 January 2010, net of accumulated depreciation	4,233	–	516	29,635	469	607	35,460
(Transfer)/Additions	(4,233)	1,028	194	9,962	377	54	7,382
Disposals	–	–	(103)	–	(6)	–	(109)
Depreciation provided during the year	–	(90)	(558)	(4,169)	(256)	(267)	(5,340)
Exchange realignment	–	16	–	(435)	15	112	(292)
At 31 December 2010, net of accumulated depreciation	–	954	49	34,993	599	506	37,101
At 31 December 2010:							
Cost	–	1,044	390	41,639	1,040	1,080	45,193
Accumulated depreciation	–	(90)	(341)	(6,646)	(441)	(574)	(8,092)
Net carrying amount	–	954	49	34,993	599	506	37,101

Notes to Financial Statements

31 December 2010

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2009						
At 31 March 2009 and at 1 April 2009:						
Cost	1,547	1,020	20,687	497	885	24,636
Accumulated depreciation	–	(195)	(194)	(94)	(98)	(581)
Net carrying amount	1,547	825	20,493	403	787	24,055
At 1 April 2009, net of accumulated depreciation	1,547	825	20,493	403	787	24,055
Additions	2,686	–	11,266	190	8	14,150
Disposals	–	–	–	(7)	(6)	(13)
Depreciation provided during the period	–	(309)	(2,124)	(117)	(182)	(2,732)
At 31 December 2009, net of accumulated depreciation	4,233	516	29,635	469	607	35,460
At 31 December 2009:						
Cost	4,233	1,020	31,953	676	885	38,767
Accumulated depreciation	–	(504)	(2,318)	(207)	(278)	(3,307)
Net carrying amount	4,233	516	29,635	469	607	35,460

Notes to Financial Statements

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18. FOREST CONCESSIONS

	31 December 2010 HK$'000	31 December 2009 HK$'000
Forest concessions	**833,801**	833,801
Less: Accumulated amortisation	**(266)**	–
	833,535	833,801

During the year ended 31 March 2009, the Group acquired certain forest concessions in the Papua Province of Indonesia through acquisitions of subsidiaries, which provides the Group with the right to exploit and harvest trees in 313,500 hectares of forest area.

The Group commenced the harvesting of trees in late 2009. In the opinion of the Company's directors, as amortisation of the forest concessions for the period from 1 April 2009 to 31 December 2009 is insignificant to the Group's results and financial position, no amortisation of the forest concessions was recognised in the consolidated income statement for the period ended 31 December 2009.

Amortisation is charged on a unit of production basis over the estimated useful lives of forest concessions right.

The forest concession rights cover the entire forest area of 313,500 hectares. This is a long term license which allows logging, land clearing and plantation of oil palm trees.

The Company obtained a legal opinion and legal confirmation letter from Adi Prasetyo & Partners Law Firm, which confirmed that the location permit has been legally granted by the Head of Mimika Regency to the Company for allocation of forest areas in aggregate of 313,500 hectares, located in the Mimika Areas. The plantation business licence has been legally granted to the Company by the Governor of Papua, Indonesia. As such, the Company is legally permitted to carry out land clearing activities and to develop oil palm plantation business, including but not limited to carrying out felling, logging and harvesting of trees, and plantation activities within the Mimika Concessions Areas.

The legal opinion also mentioned the Company would continue to process other permits in addition to the above-mentioned licenses. This includes land use right registration at the National Land Agency, which should be completed within 2 years from the date of plantation business license or the date of Government Decree 35/2009. The application for land use right registration is merely a procedural matter. The land use right registration is relevant only to the plantation activities and is not required for the logging and forest clearing operations. It is expected that there will not be any legal impediment.

As at 31 December 2010, the Group has engaged Roma Appraisals Limited ("RAL"), an independent qualified professional valuer not connected with the Group to value the forest concession right. The concessions was appraised at a fair value of approximately HK$926,000,000.

RAL is a member of the Hong Kong Institute of Surveyors. RAL has adopted a direct market data method to value the forest concessions right which is based on existing economy, forestry industry, timber production in Indonesia and timber consumption worldwide to determine the fair value of the concessions right.

Notes to Financial Statements

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19. BIOLOGICAL ASSETS

	2010 HK$'000	2009 HK$'000
At the beginning of the year/period	–	–
Additions	1,792	–
Fair value gain on biological asset less cost to sell	4,843	–
At end of the year/period	6,635	–

The Group is engaged in the plantation of oil palm trees for supply of palm oil to customers. At 31 December 2010, the Group held 180,000 seedlings of oil palm trees in its nursery area in Timika, Papua, Indonesia for plantation of oil palm trees in the future (immature assets).

The Group's biological assets in Indonesia was independently valued by RAL. RAL used a market-based approach by obtaining information regarding the market prices of the similar oil palms from external sources. In the process, RAL has considered the species, ages and countries of origin of the oil palms.

The comparable market price and the reported quantity of the oil palms were then adjusted for the growth status, ages and actual quantity of the oil palms. The adjusted comparable market price and quantity of the oil palms were applied to estimate the fair value of the oil palms at the reporting date.

20. INTERESTS IN SUBSIDIARIES

An analysis of interests in subsidiaries is as follows:

	Company	
	31 December 2010 HK$'000	31 December 2009 HK$'000
Unlisted shares, at cost	938,602	938,602
Due from subsidiaries	51,949	25,062
	990,551	963,664
Less: Impairment losses	(58,405)	(43,737)
	932,146	919,927

The amounts due from subsidiaries are unsecured, interest-free and are not expected to be recovered within one year. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The amount due to a subsidiary to HK$37,610,000 as at 31 December 2010 is unsecured, interest-free and have no fixed terms of repayment (2009: HK$50,077,000). The carrying amounts of the amounts due from/(to) subsidiaries approximate to their fair values.

Several subsidiaries had recurring operation losses with low liquidity ratio. After reviewing the financial performance and financial position of these subsidiaries, the directors consider that impairment loss on the amount due from these subsidiaries and investment cost should be written down to their recoverable amount. The impairment loss of approximately HK$14,668,000 has been charged to the income statement of the Company.

Notes to Financial Statements

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20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of establishment/ incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
Merdeka Resources International Limited (formerly known as Merdeka Timber Trading Limited)	Hong Kong	HK$100,000 Ordinary	–	100	Timber Trading
Source Easy Limited	Hong Kong	HK$10,000 Ordinary	–	100	Trading business
Merdeka Timber Group Ltd.	British Virgin Islands/ Hong Kong	US$12,000	100	–	Investment holding
PT. Merdeka Tapare Timber ("PTMTT")	Indonesia	US$500,000	–	65	Timber and forestry business
PT. Merdeka Plantation Indonesia ("PTMPI")	Indonesia	US$5,000,000	–	95	Timber and forestry business

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. TRADE RECEIVABLES

	Group	
	31 December 2010 HK$'000	31 December 2009 HK$'000
Trade receivables	**–**	3,479

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Notes to Financial Statements

31 December 2010

21. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	Group			
	31 December 2010		31 December 2009	
	Balance HK$'000	**Percentage**	Balance HK$'000	Percentage
Current to 30 days	**–**	**–**	1,710	49
31 to 60 days	**–**	**–**	1,769	51
	–	**–**	3,479	100

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	31 December 2010 HK$'000	31 December 2009 HK$'000
Neither past due nor impaired	**–**	3,479

Receivables that were neither past due nor impaired relate to a customer for whom there was no recent history of default.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	31 December 2010 HK$'000	31 December 2009 HK$'000	**31 December 2010 HK$'000**	31 December 2009 HK$'000
Prepayments	**4,277**	6,589	**150**	150
Deposits and other receivables	**1,674**	5,664	**27**	26
	5,951	12,253	**177**	176

None of the above assets is either past due or impaired. The financial assets except for prepayment and deposit included in the above balances related to receivables which had no recent history of default.

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23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	31 December 2010 HK$'000	31 December 2009 HK$'000	**31 December 2010 HK$'000**	31 December 2009 HK$'000
Cash and bank balances	**68,569**	105,677	**58,205**	98,044
Less: Pledged bank deposits	**–**	(4,238)	**–**	–
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**68,569**	101,439	**58,205**	98,044

At the end of the year, no cash and bank balances of the Group was denominated in RMB (31 December 2009: HK$65,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

At 31 December 2010, there is no pledged bank deposits (2009: HK$4,238,000). At 31 December 2009 and 2010, bank balances carry interest at market rate of 0.01% per annum. The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group			
	31 December 2010		31 December 2009	
	Balance HK$'000	**Percentage**	Balance HK$'000	Percentage
Current to 30 days	**–**	**–**	1,684	49
31 to 60 days	**–**	**–**	1,743	51
	–	**–**	3,427	100

The trade payables are non-interest-bearing and are normally settled on credit terms of 60 days.

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25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31 December 2010 HK$'000	31 December 2009 HK$'000	**31 December 2010 HK$'000**	31 December 2009 HK$'000
Other payables	**1,469**	3,346	**–**	–
Accruals	**929**	1,355	**150**	150
	2,398	4,701	**150**	150

Other payables are non-interest-bearing and have an average term of three months.

26. DEFERRED TAX

As at 31 December 2010, the Group has unused tax losses of HK$78,546,000 (2009: HK$54,793,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

27. CONVERTIBLE BONDS

(a) On 12 August 2008, the Company issued HK dollar denominated coupon bonds to MCL, the MCL Convertible Bonds as part of the consideration for the acquisition of forest concessions in Papua, Indonesia.

Subject to the restrictions specified below, the MCL Convertible Bonds are convertible at the option of the bondholders into ordinary shares in the Company at the initial conversion price of HK$0.1 per share (subject to adjustment as provided in the terms and conditions of the MCL Convertible Bonds) at any time from the date of issue and ending on the fifth business day before the third anniversary of the date of issue:

- The bondholders do not have the right to convert any principal amount of the MCL Convertible Bonds into new shares of the Company thereof, if upon such conversion, MCL and the parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Codes on Takeovers and Mergers and Share Repurchases as being the level for triggering a mandatory general offer) or more of the enlarged issued share capital of the Company at the date of relevant conversion;

- The conversion of the MCL Convertible Bonds shall not cause the Company to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules; and

- The bondholders do not have the right to convert any MCL Convertible Bonds with the principal amount falling between the range of HK$350,000,000 to HK$776,880,000 at any time during the period from the issue date up to and inclusive of the date that falls on the first anniversary of the issue date.

The MCL Convertible Bonds are unsecured, interest-free and have a maturity date of 12 August 2011. Unless converted into the shares of the Company or early repaid by the Company, the outstanding balance of the MCL Convertible Bonds would be redeemed in full on maturity.

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27. CONVERTIBLE BONDS (Continued)

(a) (Continued)

During the year ended 31 December 2010, the MCL Convertible Bonds with a nominal value of HK$50,000,000 (2009: HK$62,000,000) were converted into 500,000,000 shares in the Company of HK$0.01 each (note 28). The outstanding principal amount of the MCL Convertible Bonds as at 31 December 2010 was HK$504,880,000 (2009: HK$554,880,000).

The convertible bonds contained two components, the liability and equity components. The equity component is presented in equity as an "Equity component of convertible bonds". The effective interest rate of the liability component is approximately 7.25% per annum.

The movement of the liability component of the convertible bonds for the year was set out below:

	2010 HK$'000	2009 HK$'000
At beginning of the year/period	**497,304**	523,557
Interest charged	**33,758**	28,630
Conversion of convertible bonds	**(45,410)**	(54,883)
At end of the year/period	**485,652**	497,304

28. SHARE CAPITAL

Shares

	31 December 2010 HK$'000	31 December 2009 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
5,328,149,000 (2009: 4,823,149,000) ordinary shares of HK$0.01 each	**53,281**	48,231

During the year ended 31 December 2010, the MCL Convertible Bonds with a nominal value of HK$50,000,000 were converted into 500,000,000 shares in the Company of HK$0.01 each at a conversion price of HK$0.1 per share. Further details relating to the MCL Convertible Bonds were set out in note 27 to the financial statements.

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28. SHARE CAPITAL (Continued)

Shares (Continued)

A summary of the transactions during the period with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2009	4,203,149,000	42,031	351,925	393,956
Issue of new shares upon conversion of convertible bonds	620,000,000	6,200	60,475	66,675
At 31 December 2009 and 1 January 2010	4,823,149,000	48,231	412,400	460,631
Issue of new Shares upon exercise of share options	5,000,000	50	1,288	1,338
Issue of new shares upon conversion of convertible bonds (note 27)	500,000,000	5,000	49,880	54,880
At 31 December 2010	5,328,149,000	53,281	463,568	516,849

Share options

Details of the Company's share option scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

The Company operates Share Option Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. The Share Option Scheme was approved by the then sole shareholder of the Company on 20 February 2002 by way of a written resolution. The Board may, at their discretion, offer options to any full-time or part-time employee or director of any member of the Group, and any consultant of or adviser to any member of the Group (the "Participants") to subscribe for the Shares. The Share Option Scheme became effective on 7 March 2002 and shall be valid and effective for a period of 10 years from that date, subject to early termination by the Company in a general meeting or by the Board.

The maximum number of Shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares available for issue under share options which may be granted under the Share Option Scheme adopted by the Company must not in aggregate exceed 10% of the Shares in issue. The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted to each Participant (including both exercised and outstanding share options) in any 12-month period up to the date of grant must not exceed 1% of the Shares in issue at the date of grant. Any further grant of share options in excess of the above limit must be subject to shareholders' approval with such Participant and his associates (as defined in the GEM Listing Rules) abstaining from voting.

If share options are granted to a connected person (as defined in the GEM Listing Rules) or his associates, the granting of such share options will be subject to approval of all INEDs (excluding INED who is a grantee); where options are proposed to be granted to a connected person who is also a substantial shareholder or an INED of the Company or any of their respective associates which will result in the total number of Shares issued and to be issued upon exercise of the share options granted or to be granted (including share options exercised, cancelled and outstanding) to such person under the Share Option Scheme in the past 12-month period up to and including the date of such grant: (1) exceeding 0.1% of the total issued Shares for the time being; and (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000, the granting of such options will be subject to approval of the independent shareholders of the Company. All connected persons will abstain from voting (except any connected person that may vote against the resolution).

Notes to Financial Statements

31 December 2010

29. SHARE OPTION SCHEME (Continued)

Upon acceptance of the share option, the grantee shall pay HK$1 to the Company as consideration for the grant. The share option will be offered for acceptance for a period of 28 days (or such shorter period as the Board may from time to time determine) from the date on which the share option is granted. The exercise period of the share options granted is determinable by the directors and commences after a certain vesting period, if any, as determined by the directors and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The subscription price of the share in respect of any particular share option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price shall be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange daily quotation sheet on the date of the grant of the share option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets on the five business days immediately preceding the date of the grant of the share option; and (iii) the nominal value of the Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the year:

	Year ended 31 December 2010		Year ended 31 December 2009	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At beginning of the year	**0.137**	**268,500**	0.070	68,500
Granted during the year	**–**	**–**	0.160	200,000
Forfeited/expired during the year	**0.195**	**(5,000)**	–	–
Exercised during the year	**0.195**	**(5,000)**	–	–
At end of the year	**0.135**	**258,500**	0.137	268,500

The exercise prices and exercise periods of the share options outstanding and exercisable as at the end of the reporting period are as follows:

31 December 2010 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
50,500	0.038	14 Aug 2006 to 13 Aug 2011
4,000	0.116	14 May 2009 to 13 Aug 2011
4,000	0.116	14 Nov 2009 to 13 Aug 2011
9,500	0.160	7 Jul 2009 to 6 Mar 2012
190,500	0.160	11 Aug 2009 to 6 Mar 2012
258,500		

Notes to Financial Statements

31 December 2010

29. SHARE OPTION SCHEME (Continued)

31 December 2009 Number of options '000	Exercise price* HK$ per share	Exercise period
50,500	0.038	14 Aug 2006 to 13 Aug 2011
5,000	0.195	6 Apr 2009 to 13 Aug 2011
5,000	0.195	6 Oct 2009 to 13 Aug 2011
4,000	0.116	14 May 2009 to 13 Aug 2011
4,000	0.116	14 Nov 2009 to 13 Aug 2011
9,500	0.160	7 Jul 2009 to 6 Mar 2012
190,500	0.160	11 Aug 2009 to 6 Mar 2012
268,500		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

No share option was granted during the year ended 31 December 2010 (2009: HK$11,634,000). Accordingly, the Group did not recognise any share option expense in the year ended 31 December 2010 (2009: HK$11,634,000).

The fair value of equity-settled share options granted during the year/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 options were granted. The following table lists the inputs to the model used:

	Period ended 31 December 2009
Weighted averaged share price	0.137
Dividend yield (%)	–
Expected volatility (%)	54-56
Historical volatility (%)	54-56
Risk-free interest rate (%)	0.2-1.0
Expected life of options (year)	1.3-2.7
Closing share price at grant date (HK$)	0.15-0.191

The expected life of the 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 options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 258,500,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 258,500,000 additional ordinary shares in the Company and additional share capital of HK$2,585,000 and share premium of approximately HK$32,262,000 (before issue expenses).

Notes to Financial Statements

31 December 2010

29. SHARE OPTION SCHEME (Continued)

After the end of 31 December, 2010, 43,000,000 and 63,000,000 share options were granted respectively on 24 January and 25 March 2011 to certain directors and eligible participants of the Share Option Scheme. The number of share options outstanding under the Share Option Scheme as at the date of approval of these audited financial statements was 364,500,000, which represented approximately 6.84% of the Company's shares in issue as at that date.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the consolidated financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium accounts of the subsidiaries acquired in prior years, over the nominal value of the Company's shares issued in exchange therefore.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	351,925	18,203	116,875	1,659	(85,087)	403,575
Change in equity for 2009: Total comprehensive loss for the period	–	–	–	–	(41,857)	(41,857)
Issue of new shares upon conversion of convertible bonds	60,475	–	(11,792)	–	–	48,683
Equity-settled share option arrangements	–	–	–	11,984	–	11,984
At 31 December 2009	412,400	18,203	105,083	13,643	(126,944)	422,385

Notes to Financial Statements

31 December 2010

30. RESERVES (Continued)

(b) Company (Continued)

	Share premium account HK$'000	Contributed surplus HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2009 and 1 January 2010	412,400	18,203	105,083	13,643	(126,944)	422,385
Change in equity for 2010:						
Total comprehensive loss for the year	–	–	–	–	(49,886)	(49,886)
Issue of new shares upon exercise of share options	1,288	–	–	(363)	–	925
Forfeiture of share options	–	–	–	(365)	365	–
Issue of new shares upon conversion of convertible bonds	49,880	–	(9,469)	–	–	40,411
At 31 December 2010	463,568	18,203	95,614	12,915	(176,465)	413,835

(c) Nature and purpose of the reserves

(i) **Share premium**

Under the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) **Contributed surplus**

The Company's contributed surplus represents the excess of the fair value of the shares of a subsidiary acquired in prior years, over the nominal value of the Company's shares issued in exchange therefore.

(iii) **Equity component of convertible bonds**

The value of unexercised equity component of convertible bonds issued by the Company recognized in accordance with the accounting policy adopted for convertible bonds in note 3(k).

Notes to Financial Statements

31 December 2010

30. RESERVES (Continued)

(c) Nature and purpose of the reserves (Continued)

(iv) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3(r)(ii) to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 3(s).

(d) Distributability of reserves

At 31 December 2010 and 2009, the aggregate amount of reserves available for the distribution to owners of the Company calculated in accordance with the Caymen Islands Companies Law (2010 Revision) Part III was HK$287,103,000 and HK$285,456,000 respectively.

31. CONTINGENT LIABILITIES

As at 31 December 2010 and 2009, the Company had no significant contingent liabilities.

32. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	31 December 2010 HK$'000	31 December 2009 HK$'000
Within one year	**–**	1,849
In the second to fifth years, inclusive	**–**	154
	–	2,003

Notes to Financial Statements

31 December 2010

33. COMMITMENTS

In addition to operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	31 December 2009 HK$'000	31 March 2009 HK$'000
Authorised, but not contracted for plant and machinery	**–**	5,239
Contracted, but not provided for plant and machinery	**22**	173
	22	5,412

34. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

	Year ended 31 December 2010 HK$'000	Period from 1 April 2009 to 31 December 2009 HK$'000
Short term employee benefits	**770**	2,525
Post-employment benefits	**5**	16
Equity-settled share option expense	**–**	5,646
Total compensation paid to key management personnel	**775**	8,187

Further details of directors' emoluments are included in note 11 to the financial statements.

Notes to Financial Statements

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise convertible bonds, cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales, purchases or expenditure by operating units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the USD, RMB and Rp, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in loss before tax**
	%	HK$'000
Year ended 31 December 2010		
If USD weakens against Rp	10	1,019
If USD strengthens against Rp	(10)	(1,019)
If Hong Kong dollar weakens against RMB	10	–
If Hong Kong dollar strengthens against RMB	(10)	–
Period ended 1 April 2009 to 31 December 2009		
If USD weakens against Rp	10	851
If USD strengthens against Rp	(10)	(851)
If Hong Kong dollar weakens against RMB	10	9
If Hong Kong dollar strengthens against RMB	(10)	(9)

Notes to Financial Statements

31 December 2010

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2010

	Group		
	Within one year or on demand HK$'000	**In the second year HK$'000**	**Total HK$'000**
Trade payables	**–**	**–**	**–**
Other payables	**1,468**	**–**	**1,468**
Convertible bonds	**504,880**	**–**	**504,880**
	506,348	**–**	**506,348**

As at 31 December 2009

	Group		
	Within one year or on demand HK$'000	In the second year HK$'000	Total HK$'000
Trade payables	3,427	–	3,427
Other payables	3,346	–	3,346
Convertible bonds	–	554,880	554,880
	6,773	554,880	561,653

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31 December 2010

	Company within one year or on demand HK$'000
Convertible bonds	**504,880**

Notes to Financial Statements

31 December 2010

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

As at 31 December 2009

	Company in the second year inclusive HK$'000
Convertible bonds	554,880

Interest rate risk

The Company has no significant interest-bearing assets except for cash and cash equivalents.

The Company will continue to review the market trend, as well as its business operation needs and its financial position in order to identify the most effective tools for interest rate risk management.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has monitored the exposures on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual customer. There was no recent history of default.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to the credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21 and 22.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objective policies or processes for managing capital during the year ended 31 December 2010 and the period ended 31 December 2009.

Notes to Financial Statements

31 December 2010

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group's total borrowings represent convertible bonds. The Group's capital represents the equity attributable to equity holders of the parent.

	Group	
	31 December 2010 HK$'000	31 December 2009 HK$'000
Convertible bonds	**485,652**	497,304
Total borrowings	**485,652**	497,304
Total capital	**426,000**	444,337
Total capital and borrowings	**911,652**	941,641
Gearing ratio	**53.3%**	52.80%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

36. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting year, on 24 January and 25 March 2011, 43,000,000 and 63,000,000 share options were granted respectively to certain directors and other eligible participants, under the Company's existing Share Option Scheme.

Each share option shall entitle the holder thereof to subscribe for one ordinary share of HK$0.01 each in the share capital of the Company upon exercise of such share option at the exercise price of HK$0.078 and HK$0.143 per share respectively within the period from 24 October 2011 to 6 March 2012.

On 27 January 2011, the Company appointed Mr. Yeh Shuen Ji as a non-executive director and invited him to be the chairman of the Company, Mr. Bai Baohua as a non-executive director of the Company and Mr. Wong Shui Lung as an executive director of the Company.

With effect from 27 January 2011, Mr. Ma Hang Kon, Louis was re-designated to as an executive director, chief executive officer, member of the remuneration committee, compliance officer, company secretary, authorized representative and agent for service of process in Hong Kong of the Company and as a director of the relevant subsidiaries of the Company.

The Company's head office and principal place of business in Hong Kong has been changed to Room 1903A, The Sun's Group Centre, No. 200 Gloucester Road, Wanchai, Hong Kong with effect from 25 March 2011.

Notes to Financial Statements

31 December 2010

37. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	Financial Instruments[4]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and Classification for Rights Issues[1]
HK (IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 25 March 2011.

Summary of Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years/period, as extracted from the published audited financial statements, is set out below:

RESULTS

	Year ended 31 March			Period from 1 April 2009 to 31 December	**Year ended 31 December**
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2009 HK$'000	**2010 HK$'000**
Revenue	46,099	41,214	22,672	6,970	**6,715**
LOSS BEFORE TAX	(10,326)	(9,377)	(47,403)	(58,622)	**(67,454)**
Tax	–	–	–	–	**–**
LOSS FOR THE YEAR/PERIOD	(10,326)	(9,377)	(47,403)	(58,622)	**(67,454)**
Attributable to:					
Owners of the Company	(10,222)	(9,103)	(47,322)	(57,436)	**(64,294)**
Minority interests	(104)	(274)	(81)	(1,186)	**(3,160)**
	(10,326)	(9,377)	(47,403)	(58,622)	**(67,454)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March			As at 31 December	**As at 31 December**
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2009 HK$'000	**2010 HK$'000**
TOTAL ASSETS	32,620	67,591	1,007,319	990,670	**951,791**
TOTAL LIABILITIES	(9,380)	(9,752)	(531,364)	(505,432)	**(488,050)**
	23,240	57,839	475,955	485,238	**463,741**
EQUITY:					
Equity attributable to owners of the Company	23,291	57,843	433,868	444,337	**426,000**
Non-controlling interests	(51)	(4)	42,087	40,901	**37,741**
	23,240	57,839	475,955	485,238	**463,741**

Glossary of Terms

GENERAL TERMS

AGM	Annual general meeting
Audit Committee	The audit committee of the Company
Board	The board of Directors
CCT Telecom	CCT Telecom Holdings Limited, a company listed on the Main Board of the Stock Exchange and a substantial shareholder of the Company
CEO	The chief executive officer of the Company
Chairman	The chairman of the Company
Code	The Code on Corporate Governance Practices under the GEM Listing Rules
Company	Merdeka Resources Holdings Limited
Director(s)	The director(s) of the Company
GEM	The Growth Enterprise Market of the Stock Exchange
GEM Listing Rules	The Rules Governing the Listing of Securities on the GEM
Group	The Company and its subsidiaries
HK or Hong Kong	The Hong Kong Special Administrative Region of PRC
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
INED(s)	Independent non-executive director(s)
Manistar	Manistar Enterprises Limited, a substantial shareholder of the Company and a wholly-owned subsidiary of CCT Telecom
MCL	Merdeka Commodities Limited, a substantial shareholder of the Company
MCL Convertible Bonds	The convertible bonds issued by the Company to MCL on 12 August 2008 as part of consideration to acquire the forestry business. The convertible bonds, due on 12 August 2011, are interest-free and convertible into the Shares at the initial conversion price of HK$0.1 per Share (subject to adjustment according to the terms of the convertible bonds)
MTG	Merdeka Timber Group Ltd., a principal subsidiary of the Company
MTG Group	MTG and its subsidiaries
N/A	Not applicable
PRC	The People's Republic of China
Remuneration Committee	The remuneration committee of the Company

Glossary of Terms

RMB	Renminbi, the lawful currency of PRC
Rp	Rupiah, the lawful currency of Indonesia
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	The ordinary share(s) of HK$0.01 each in the share capital of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Option Scheme	A share option scheme adopted by the Company on 20 February 2002 and became effective on 7 March 2002
Stock Exchange	The Stock Exchange of Hong Kong Limited
US	The United States of America
USD	United States dollar(s), the lawful currency of US
%	Per cent.

FINANCIAL TERMS

Current Ratio	Current assets divided by current liabilities
Gearing Ratio	Total borrowings (representing bank & other borrowings, convertible notes and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
Loss Per Share	Loss attributable to the Shareholders divided by weighted average number of Shares in issue during the period/year

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