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 2013 年報

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* *僅供識別*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Wai Yin, Wilson
(Chairman and Chief Executive Officer)
Mr. Lau Chi Yan, Pierre
(Managing Director)

Non-executive Director

Mr. Wong Chi Man

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Lai Yau Hong, Thomson

COMPLIANCE OFFICER

Mr. Cheung Wai Yin, Wilson

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Cheung Wai Yin, Wilson
Mr. Lau Chi Yan, Pierre
Ms. Yeung Mo Sheung, Ann
Mr. Ng Kay Kwok
Mr. Yip Kat Kong, Kenneth

NOMINATION COMMITTEE

Mr. Cheung Wai Yin, Wilson
Mr. Lau Chi Yan, Pierre
Ms. Yeung Mo Sheung, Ann
Mr. Ng Kay Kwok
Mr. Yip Kat Kong, Kenneth

AUTHORISED REPRESENTATIVE

Mr. Cheung Wai Yin, Wilson
Mr. Lai Yau Hong, Thomson

AUDITORS

Elite Partners CPA Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
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

Room 1502
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road,
PO Box 1586,
Grand Cayman KY1-1110,
Cayman Islands

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

Dear Shareholders,

On behalf of Merdeka Resources Holdings Limited, I am pleased to present the 2013 annual report of the Company and its subsidiaries for the year ended 31 December 2013. During the year, the Group's principal businesses continued to be forestry, plantation, trading business, including the trading of agricultural-related products and various brands of milk powder products to customers based in Hong Kong and distributorship of information technology products with technical support services.

BUSINESS AND OPERATION REVIEW

The Group's forestry business and plantation business are related to our forest concessions in the Papua Province of Indonesia. During the year 2013, there was no meaningful turnaround in the unfavourable worldwide economy towards the Group's business. There were some new variables in the business environment introduced. The Group had kept its operation scale related to the forestry project downsized to preserve its financial resources before the resumption of the forestry project while liaising and negotiating with the government departments in Papua, Indonesia on the land use right registration. According to the updated legal opinion and legal confirmation letter from Indonesian lawyers, the Company is legally permitted to carry out land clearing activities and to develop oil palm plantation business within the Mimika Concessions Areas. The application for land use right registration is merely a procedural matter and it is expected that there will not be any legal impediment.

During 2013, the management continued working with the supply side and potential buyers on the trading project of tailings in the Papua Province of Indonesia. The contract stipulates that all deliveries be taken by August 2014.

The growing trading business still provides a stable source of revenue to the Group; however, the Group strives to increase the variety of products for trading business during the period under review. After the completion of the acquisition of 100% interest of Quasicom Systems Limited by the Company on 18 July 2013, it contributes to the Group by deriving incomes from distributorship of information technology products with technical support services.

Unlike 2012, revenue of the Group for the year ended 31 December 2013 was not only generated from the trading business in Hong Kong, but also from distributing information technology products and the provision of relevant technical support services. The revenue increased to approximately HK$40,762,000 from approximately HK$7,909,000 for last year. The increase was mainly due to revenue of approximately HK$38,038,000 contributed by the trading of dairy products and approximately HK$2,724,000 contributed by the aforesaid newly acquired information technology business. In addition, as these businesses had a relatively higher gross profit margin, the Group's overall gross profit margin improved from about 2.1% in 2012 to about 5.1% in 2013.

The Group recorded a loss of approximately HK$115,153,000 for the year 2013. The loss was reduced by approximately HK$528,920,000 compared to that of 2012, mainly due to the increase in the gross profit and its margin and the decrease in the impairments in relation to the forest concessions and property, plant and equipment.

SHARE CONSOLIDATION AND RIGHTS ISSUE

The Group's fund raising activities may be affected if the Company's share price continuously approaches the extremities of HK$0.01. Accordingly, in the first quarter of 2013, the directors proposed a share consolidation on the basis that every forty shares of HK$0.01 each be consolidated into one consolidated share of HK$0.40 each. After the share consolidation became effective in March 2013, the directors further proposed rights issue on the basis of two rights shares for every five shares at the subscription price of HK$0.40 per rights share in June 2013. On 17 July 2013, 91,671,490 rights shares were issued, raising net proceeds of approximately HK$35 million.

CAPITAL REDUCTION AND SUB-DIVISION

During the extraordinary general meeting of the Company held on 16 August 2013, the special resolution in relation to the capital reduction and the subdivision proposed at that meeting was duly passed by the shareholders of the Company and thus the events as scheduled were carried out accordingly. The order confirming the capital reduction and the sub-division was granted by the Grand Court of the Cayman Islands on 13 November 2013 (Cayman Islands time), and copies of order of the Court and other relevant documents was filed and duly registered with the Registrar of Companies in the Cayman Islands on 15 November 2013 (Cayman Islands time). The capital reduction was effective on 25 November 2013 (Hong Kong time).

LETTER TO THE SHAREHOLDERS

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As all the special resolutions in relation to the amendments to the articles of association of the Company was not passed by the shareholders of the Company during the extraordinary general meeting of the Company held on 16 August 2013, the amendment of articles of association of the Company was thus not be carried out accordingly. The Company will review again the Articles of Association and will seek to put forth other resolution(s) to be voted by its shareholders in other general meeting to adopt an amended and restated Articles of Association that is in line with current amendments of the GEM Listing Rules and will make announcement(s) and circular(s) when and where appropriate in due course.

EARLY REDEMPTION OF CONVERTIBLE BONDS

On 9 August 2013, the Company agreed with the holders of the convertible bonds to exercise its redemption right to early redeem partially the existing outstanding convertible bonds of the Company and served a redemption notice pursuant to the supplemental deed dated 30 May 2011 for redeeming an outstanding principal amount of HK$27,000,000 of the convertible bonds, which was settled in cash of HK$25,647,000, representing a discount of approximately 5% of the principal sum of the early redeemed convertible bonds. Following and as a result of the redemption in the aforesaid amount of HK$27,000,000 convertible bonds, the outstanding amount due by the Company to the holders of the convertible bonds under the convertible bonds is HK$197,880,000 as at 31 December 2013.

FUND RAISING ACTIVITIES OF THE COMPANY

During the year 2013 and up to the date of this report, the Company has carried out the following fund raising activities:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
11 June 2013	Rights issue on the basis of 2 rights shares for every 5 then existing shares held by Shareholders	HK$34.87 million	For general working capital, including but not limited to development of information technology business and the expansion of the Company's existing trading business	Approximately HK$28.57 million has been used for the redemption of the Company's existing convertible bonds; approximately HK$2 million has been used for the development of information technology business; and approximately HK$4.3 million has been used for general working capital
6 December 2013	(i) Placing of new Shares under general mandate	HK$6.58 million	Approximately HK$3 million for the expansions of the Company's existing trading business and information technology business; approximately HK$1.58 million for general working capital and approximately HK$2 million for financing future investment opportunities	Approximately HK$2 million has been used for the expansions of the Company's existing trading business; approximately HK$1.58 million has been used for the redemption of the Company's existing convertible bonds and the remaining is deposited in bank
	(ii) Placing of new Shares under specific mandate	HK$22.55 million	Approximately HK$2.25 million for the expansions of the trading business; approximately HK$6.77 million for the information technology business and approximately HK$13.53 million for general working capital	Approximately HK$13.50 million has been used for the redemption of the Company's existing convertible bonds and the remaining is deposited in bank
21 February 2014	Placing of new Shares under general mandate	HK$12.56 million	For general working capital to finance its business development and/or to finance any future investment opportunities	Approximately HK$12.56 million is deposited in bank

LETTER TO THE SHAREHOLDERS

CHANGE OF AUDITORS AND CHANGE OF THE BOARD

Elite Partners CPA Limited ("Elite Partners") was duly appointed to replace the resigned Crowe Horwath (HK) CPA Limited ("Crowe Horwath") as auditors of the Company by the shareholders of the Company during the extraordinary general meeting of the Company held on 6 February 2013.

Mr. Lau Ho Wai, Lucas resigned as an independent non-executive director of the Company on 19 June 2013 and his appointment as a member of the nomination committee, a member of the remuneration committee and as a member of the audit committee of the Company has been revoked with effect from 19 June 2013. Mr. Lam Kin Kau, Mark retired at the annual general meeting of the Company held 28 June 2013 and not offering himself for re-election, and thus, accordingly ceased to be an independent non-executive director of the Company with effect from 28 June 2013 and his appointment as a member of the nomination committee, a member of the remuneration committee and as a member of the audit committee of the Company has been revoked with effect from 28 June 2013. Mr. Ma Hang Kon, Louis resigned as an executive director of the Company on 16 October 2013.

To fill the vacancies caused by the resignation of Mr. Lau Ho Wai, Lucas and the cessation of Mr. Lam Kin Kau, Mark as independent non-executive directors of the Company, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth were appointed as independent non-executive directors of the Company on 26 July 2013 and they were also appointed as members of the nomination committee, members of the remuneration committee and as members of the audit committee of the Company with effect from 26 July 2013.

Furthermore, Mr. Lau Chi Yan, Pierre was appointed as the managing director of the Company with effect from 26 July 2013.

OUTLOOK

As the forestry and plantation business did not progress as scheduled, the Company will continue to liaise with the Indonesian governmental departments and will continue to monitor the situation. Having said so, the Company does not exclude the possibility to make further impairment losses in relation to the forest concession if the situation does not show any improvement at or before the end of the forth coming financial year. The Company will make relevant announcement(s) when and where appropriate in due course.

In order to increase the variety of products for trading business, the Group is actively expanding into the trading of dispensary-related products and other products.

The acquisition of Quasicom Systems Limited provided the Group with an opportunity to diversify into information technology business and to generate income from such business. In order to enjoy complimentary benefits, the Group strives to complete the proposed acquisition of Ever Hero Group and leveraging on its reputation and experiences in online games as a new business opportunity. On 9 and 28 October 2013, the Group has entered into two supplemental agreements with the vendor of the sale shares of Ever Hero Group Limited to revise certain terms of the acquisition agreement dated 6 September 2012, pursuant to which and among other terms and conditions, the sale shares of issued share capital of Ever Hero Group Limited was increased from 70% to 100%, and thus, after the completion of this transaction, Ever Hero Group Limited will become an indirect wholly owned subsidiary of the Company. The total consideration payable was reduced from HK$80 million to HK$71 million which shall be settled by way of a promissory note for the amount of HK$51 million to be issued by the Company on completion and the remaining consideration of HK$20 million was satisfied in cash as deposit to the vendor upon entering into the acquisition agreement dated 6 September 2012.

The acquisition agreement dated 6 September 2012 relating to the proposed acquisition of Ever Hero Group and the transactions contemplated thereunder were confirmed, approved and ratified by the shareholders of the Company during the extraordinary general meeting of the Company held on 17 February 2014.

Pursuant to the supplemental agreement dated 3 January 2014, an additional condition precedent was added to the acquisition agreement dated 6 September 2012 so that the approval of an interest free loan agreement entering into between Netgenii Technology Limited and Mr. Kong Lung Cheung, the director of Netgenii Technology Limited, in respect of the amount owed by Mr. Kong to it be obtained in an extraordinary general meeting of the Company pursuant to the GEM Listing Rules.

LETTER TO THE SHAREHOLDERS

A circular, containing the information regarding (i) the above-said loan agreement and all the transactions contemplated thereunder; (ii) a letter from the independent committee of the Board setting out its recommendations in connection with the continuing connected transactions constituted by the transactions contemplated under the loan agreement and the proposed annual caps to the independent shareholders; (iii) a letter from an independent financial adviser containing its advice in connection with the continuing connected transactions constituted by the transactions contemplated under the loan agreement and the proposed annual caps to the independent committee of the Board and the independent shareholders; and (iv) notice of the extraordinary general meeting of the Company to be held on 28 March 2014, was despatched to the shareholders of the Company on 13 March 2014.

The Company is looking forward to the exploding mobile game market, value of which is growing tremendously with relatively low barriers to entry. Leveraging on the reputation and experience of Ever Hero Group in online and mobile game industry and with the Company's capabilities in relation to the provision of virtualization solutions such as cloud computing and server management by its indirect wholly owned subsidiary, Quasicom Systems Limited, the Company feels that mobile game industry would be a possible business opportunity for the Company to explore.

On 17 February 2014, the Company through its indirect wholly-owned subsidiary entered into a non-binding memorandum of understanding with Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司), a company incorporated in the PRC, pursuant to which the Company intended to subscript for the 60% of the enlarged share capital of Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司). As Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司) is developing its mobile games and the cloud-based city Wi-Fi application software, such possible investment in it is in line with the Group's business development plans. As at the date of this report, no legally binding agreement or contract relating to the possible investment has been agreed or entered into by the Company. The Company will make relevant announcement(s) when and where appropriate in due course.

In light of the expansions of the trading business and the information technology business as well as to strengthen the general working capital base of itself for meeting its obligation under the forthcoming business opportunities, the Company is considering carrying out further fund raising activities when and where appropriate and will make relevant announcement(s) accordingly.

PROPOSED CHANGE OF COMPANY NAME

As the Group's activities now include information technology business and in order to better reflect the future expansion and diversifications of the Company's business into the information technology based mobile games and application software business and provide the Company with a fresh corporate identity and image, the Company proposed to change the English name of the Company from "Merdeka Resources Holdings Limited" to "Merdeka Mobile Group Limited" and upon the English name change becoming effective, to adopt the Chinese name "萬德移動集團有限公司" to replace "萬德資源集團有限公司" for identification purposes only.

The circular containing information regarding the special resolution to be proposed at the extraordinary general meeting of the Company to be held on 21 March 2014 for the proposed change of company name was despatched to the shareholders of the Company on 26 February 2014.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to the valuable contribution from our departing directors, Mr. Lau Ho Wai, Lucas, Mr. Lam Kin Kau, Mark and Mr. Ma Hang Kon, Louis. I extend my warm welcome to Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, both of whom were appointed as INEDs of the Company on 26 July 2013. I would also like to express my gratitude to our management team and all staff for their hard work in the execution of the Group's strategies and operations during the past year. As approved by the shareholders in the annual general meeting held on 3 May 2012, the Company adopted a share option scheme, which could provide incentives and rewards to eligible participants for their contribution to the Group. Last but not the least, I wish to thank all shareholders, customers, suppliers, business partners, bankers, government authorities for their continuous support and confidence in the Group.

Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong
14 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Highlights on financial results

(HK$'000, except percentage figures)	Year ended 31 December **2013**	2012
Revenue	**40,762**	7,909
Gross profit	**2,085**	167
Gross profit margin	**5.1%**	2.1%
Operating expenses	**(5,923)**	(19,282)
Administrative expenses	**(10,730)**	(11,973)
Non-cash items:		
Depreciation*	**(5,098)**	(7,201)
Written off of inventories	**–**	(1,914)
Written off of biological assets	**–**	(9,579)
Written off of property, plant and equipment	**(2,347)**	–
Written off of construction in progress	**(5,000)**	–
Impairment of prepayments, deposits and other receivables	**–**	(1,701)
Impairment of forest concessions	**(70,000)**	(560,000)
Impairment of property, plant and equipment	**–**	(16,000)
Equity-settled share option expenses	**(3,275)**	(974)
Finance costs	**(22,279)**	(26,872)
Loss for the year	**(115,153)**	(644,073)
Loss excluding non-cash items**	**(7,154)**	(19,832)

* In 2013 and 2012, all of the depreciation were included in the operating and administrative expenses.

** Loss for the year less non-cash items stated

Discussion on financial results

The revenue of the Group in 2013, which was generated from trading business and information technology business, increased by 415.39% to approximately HK$40,762,000 from approximately HK$7,909,000 in 2012, which was solely generated from the trading business. The gross profit margin of the Group increased to approximately 5.1% or HK$2,085,000 in 2013 from approximately 2.1% or HK$167,000 in 2012 was contributed by the increase in sales of trading business and the information technology business.

The operating expenses of the Group in 2013 was approximately HK$5,923,000 which was decreased from approximately HK$19,282,000 in 2012, mainly contributed by the downsizing operation in Indonesia.

During the year ended 31 December 2013, depreciation decreased to approximately HK$5,098,000 in 2013 from approximately HK$7,201,000 in 2012 as some property, plant and equipment were written off in 2013.

The postponement of the Group's forestry project and lower market prices for timber products led to the impairment of approximately HK$70,000,000 to the forest concessions in 2013, whereas in 2012 impairment of approximately HK$560,000,000 and HK$16,000,000 to the forest concessions and property, plant and equipment respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Share option expenses, non-cash in nature of approximately HK$3,275,000 were recorded in 2013 due to 595,000,000 share options approximately HK$3,322,000 were granted and 4,000,000 share options approximately HK$47,000 were lapsed, whereas 83,500,000 share options approximately HK$974,000 were granted in 2012.

Finance costs of the Group represented the non-cash imputed interest charged in the liability component of the Group's zero coupon convertible bonds and the interest charged on bank borrowings. The cost decreased by 17.09% to approximately HK$22,279,000 in 2013 from approximately HK$26,872,000 in 2012, which was mainly due to the decrease in average balance of the liability component when certain convertible bonds were redeemed during 2013.

Loss for the year decreased by 82.12% to approximately HK$115,153,000 in 2013 from approximately HK$644,073,000 in 2012. The significant decrease in loss was mainly due to the increase in the gross profit and its margin and the decrease in the aforesaid impairments in relation to the forest concessions and property, plant and equipment.

Excluding the effects of non-cash items like share option expenses, finance costs, depreciation, impairment of forest concessions and the written off of property, plant and equipment and construction in progress, the Group recorded a lower loss before tax at HK$7,154,000 in 2013 compared to HK$19,832,000 in 2012.

Analysis by business segment

	Revenue		**Profit/(loss) before tax**	
	Year ended 31 December			
(HK$'000)	**2013**	2012	**2013**	2012
Trading business	**38,038**	7,909	**982**	167
Information technology business	**2,724**	–	**(925)**	–
Forestry business	**–**	–	**(100,967)**	(627,662)
Plantation business	**–**	–	**–**	(10,129)
Total	**40,762**	7,909	**(100,910)**	(637,624)

Revenue from our trading business increased by 380.95% from approximately HK$7,909,000 in 2012 to approximately HK$38,038,000 in 2013, as the Group strived to grow the trading business which provided a stable source of revenue.

After the successful acquisition of Quasicom Systems Limited in the second half of 2013, revenue relating to information technology business was derived therefrom. The Group recorded a revenue of approximately HK$2,724,000 from this segment of business.

Same as 2012, no revenue was recorded from the Group's forestry business and plantation business in 2013.

Compared to 2012, loss before tax from the forestry business in 2013 decreased significantly, which was mainly due to the lesser impairments related to the forest concessions and property, plant and equipment related to the forestry business.

Analysis by geographical segment

	Year ended 31 December			
	2013		2012	
(HK$'000, except percentage figures)	**Revenue**	**Proportion**	Revenue	Proportion
Hong Kong	**40,762**	**100%**	7,909	100%

All the Group's revenue was derived from Hong Kong in 2013 and 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights on financial position

(HK$'000, except percentage figures)	As at 31 December **2013**	 2012
Property, plant and equipment	**1,245**	13,106
Forest concessions	**199,811**	269,811
Trade receivables	**2,300**	2,365
Cash and cash equivalents	**7,895**	2,620
Convertible bonds – liability component	**187,471**	189,705
Non-controlling interests	**(1,650)**	4,336
Shareholders' funds	**58,363**	115,802

Discussion on financial position

Property, plant and equipment decreased to approximately HK$1,245,000 as at 31 December 2013 from approximately HK$13,106,000 as at 31 December 2012. The decrease was mainly due to disposals of items with net book value of approximately HK$8,200,000, the addition of HK$1,437,000 and the depreciation of approximately HK$5,098,000 in 2013.

Forest concessions decreased to approximately HK$199,811,000 as at 31 December 2013 from approximately HK$269,811,000 as at 31 December 2012. The decrease was due to the impairment made in 2013.

Trade receivables remained almost at the same level of 2012 to approximately HK$2,300,000 (2012: HK$2,365,000) as at 31 December 2013.

Cash and cash equivalents increased significantly by 201.34% to approximately HK$7,895,000 as at 31 December 2013 from approximately HK$2,620,000 as at 31 December 2012. The increase was partly caused by the fund raising activities of the Group and partly caused by the net cash inflow from operation.

The liability component of the convertible bonds slightly decreased by 1.18% to approximately HK$187,471,000 as at 31 December 2013 from approximately HK$189,705,000 as at 31 December 2012 which was contributed by partial redemption during 2013.

Non-controlling interests decreased to approximately HK$(1,650,000) as at 31 December 2013 from approximately HK$4,336,000 as at 31 December 2012. The decrease was mainly due to the sharing of loss, including the impairment related to the forest concessions in our non-wholly owned Indonesian subsidiaries by their non-controlling shareholders for 2013.

The Group's shareholders' funds decreased to approximately HK$58,363,000 as at 31 December 2013 from approximately HK$115,802,000 as at 31 December 2012. The decrease was mainly due to the loss attributable to the owners of the Company of approximately HK$109,243,000, partially offset by the increase of approximately HK$51,804,000 which were contributed by the Group's fund raising activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure and gearing ratio

	As at 31 December			
	2013		2012	
	HK$'000	**Proportion**	HK$'000	Proportion
Total borrowings				
– Bank borrowings	**366**	–	–	–
– Convertible bonds (liability component)	**187,471**	–	189,705	–
	187,837	**76.29%**	189,705	62.1%
Equity	**58,363**	**23.71%**	115,802	37.9%
Total capital employed	**246,200**	**100%**	305,507	100.0%

The Group's gearing ratio was approximately 76.29% as at 31 December 2013 (2012: 62.1%). The increase was mainly due to the decrease in shareholders' funds largely contributed by the loss attributable to the owners of the Company.

The outstanding principal of the convertible bonds amounted to approximately HK$197,880,000 as at 31 December 2013 (2012: HK$224,880,000). Its maturity date is 12 August 2014 and the effective interest rate of the liability component is approximately 11.66%.

As at 31 December 2013, the Group's bank borrowing amount was approximately HK$366,000 (2012: Nil) because of the expansion into the information technology business.

Liquidity and financial resources

	As at 31 December	
(HK$'000)	**2013**	2012
Current assets	**39,363**	31,483
Current liabilities	**190,047**	4,557
Current ratio	**20.71%**	690.9%

MANAGEMENT DISCUSSION AND ANALYSIS

The current ratio of the Group as at 31 December 2013 was 20.71% (2012: 690.9%), reflecting the classification of the convertible bonds under current liabilities in this year from non-current liabilities in 2012.

The decrease in current ratio was due to the maturity of the convertible bonds on 12 August 2014. Majority of the bondholders have agreed to continue their financial supports to the Company by not call for repayment of such outstanding principal amounts from the Company within 12 months.

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately HK$7,895,000 (2012: HK$2,620,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 31 December 2013 and 2012. As at 31 December 2013, about 93% (2012: 22.0%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 91% (2012: 100%) were denominated in Hong Kong dollars.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2013 and 2012, most of the Group's transactions were denominated in Hong Kong dollars ("HK$"), Indonesian Rupiah ("Rp") and United States dollars ("US$"), to which HK$ is pegged. The Group had exposure to the risk of exchange rate fluctuations for Rp on account of its cost of forestry and plantation operations in Indonesia. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

Contingent liabilities

As at 31 December 2013, the Group did not have any significant contingent liabilities.

Acquisition and disposal of subsidiaries and affiliated companies

Details of acquisition and disposal of subsidiaries during the year ended 31 December 2013 are disclosed in the notes to the financial statements of the annual report of the Company. Except the acquisition of the 100% shareholdings in Quasicom Systems Limited, the Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2013.

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2013 and 2012.

Pledge of assets

As at 31 December 2013 and 2012, the Group did not have any pledged deposits and assets.

Capital commitments

As at 31 December 2013 and 2012, the Group did not have any significant capital commitments.

Employees and remuneration policy

As at 31 December 2013, the Group employed 30 staff (2012: 27). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included 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 2013, after adjustment made because of share consolidation effective 26 March 2013 and the rights issue on 17 July 2013, there were outstanding share options of 1,697,948 (2012: 83,500,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Events after the reporting period

On 29 January 2014, an aggregate of 150,000,000 shares of the Company, representing approximately 28.00% of the issued share capital of the Company as at that date taking into account the issue of such shares, were successfully placed, under specific mandate granted during an extraordinary general meeting of the Company held 29 January 2014, to not less than six placees who and whose ultimate beneficial owners are independent third parties (as defined in the GEM Listing Rules). The Company received net proceeds of approximately HK$22.55 million from such placing.

On 10 February 2014, the Company agreed with the bondholders to exercise its redemption right to early redeem the convertible bonds and served a redemption notice pursuant to the supplemental deed dated 30 May 2011 for redeeming an outstanding principal amount of HK$20,000,000 of the convertible bonds, which were settled in cash of HK$19,000,000, representing a discount of approximately 5% of the principal sum of the early redeemed convertible bonds, by the Company. Following and as a result of the redemption in the aforesaid amount of HK$20,000,000 convertible bonds, the outstanding amount due by the Company to the convertible bondholders under the convertible bonds is HK$177,880,000.

On 17 February 2014, the Company through its indirect wholly-owned subsidiary entered into a non-binding memorandum of understanding with Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司), a company incorporated in the PRC, pursuant to which the Company intended to subscript for the 60% of the enlarged share capital of Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司). As at the date of this report, no legally binding agreement or contract relating to the possible investment has been agreed or entered into by the Company. The Company will keep the shareholders and public investors informed of any material development in connection with the possible investment by way of further announcement(s) as and when appropriate.

Pursuant to the announcement dated 17 February 2014, the directors proposed to change the English name of the Company from “Merdeka Resources Holdings Limited” to “Merdeka Mobile Group Limited” and upon the name becoming effective, to adopt the Chinese name “萬德移動集團有限公司” to replace “萬德資源集團有限公司” for identification purposes only.

On 27 February 2014, an aggregate of 77,000,000 shares of the Company, 12.56% of the issued share capital of the Company as at that date were successfully placed, under general mandate refreshed and granted during an extraordinary general meeting of the Company held 29 January 2014, to not less than six placees who and whose ultimate beneficial owners are independent third parties (as defined in the GEM Listing Rules). The Company received net proceeds of approximately HK$12.56 million from such placing.

Pursuant to the announcement dated 7 March 2014, the address of the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, will be changed to Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong with effect from 31 March 2014.

An extraordinary general meeting of the Company to be held on 28 March 2014 to approve, confirm and rectify the continuing connected transactions derived from the acquisition of Ever Hero Group.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheung Wai Yin, Wilson, aged 43, is currently an executive director, the chairman, chief executive officer ("CEO"), compliance officer, member of the Nomination Committee, member of the Remuneration Committee, authorised representative and agent for service of process in Hong Kong of the Company and as a director of certain relevant subsidiaries of the Company. He is a controlling shareholder of Ivana Investments Limited and also a substantial shareholder of the Company. He is also the Chairman and Chief Executive Officer of Dejin Resources Group Company Limited, a company listed in Hong Kong. Mr. Cheung has over 17 years of experience in the field of audit, business development, corporate finance and financial management. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities and Investment Institute. He holds a Master of Science degree in Financial Engineering from City University of Hong Kong and Bachelor degrees in Arts and Administrative Studies from York University, Canada.

Mr. Lau Chi Yan, Pierre, aged 38, is currently an executive director, the managing director, member of Nomination Committee, member of the Remuneration Committee and as a director of certain relevant subsidiaries of the Company. He is also the executive director of Dejin Resources Group Company Limited, a company listed in Hong Kong. Mr. Lau has over 13 years of experience in the field of information system, operational system and general management. Mr. Lau holds an Executive Master Degree of Business Administration in General Management from University of Hull, the United Kingdom and a Bachelor of Science degree in Computer Science from University of Calgary, Canada. Besides, Mr. Lau is a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員).

NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Man, aged 32, is currently the Associate Director of Cheong Lee Securities Limited. Mr. Wong has over 5 years of experience in the field of investment, finance and securities advisory. He holds a Master of Applied Finance degree from Monash University and a Bachelor degree in Commerce from Deakin University, Australia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yeung Mo Sheung, Ann, aged 48, has served as an INED of the Company since October 2012 and is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. She holds a Bachelor degree of Retail Marketing with honours in the United Kingdom and a Diploma in Marketing from The Chartered Institute of Marketing. She pursued her further study on legal course and has been awarded a Diploma in Legal Practice in the United Kingdom in 1998 and is presently a solicitor of Messrs. Wong & Wong Lawyers, a legal firm in Hong Kong. Ms. Yeung is currently an independent non-executive director and a member of the audit committee of Hao Wen Holdings Limited, a company whose issued shares are listed on the GEM. She is also currently an independent non-executive director, a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of Success Universe Group Limited (formerly known as Macau Success Limited), issued shares of which are listed on the Main Board of the Stock Exchange.

Mr. Ng Kay Kwok, aged 52, has served as an INED of the Company since July 2013 and is a member of Nomination Committee, the Remuneration Committee and the Audit Committee. He graduated from the Australian National University with a Bachelor's Degree in Economics and obtained a Graduate Diploma in Accounting from Macquarie University. He is a member of CPA Australia and has extensive experience in accounting and financial management. In addition, Mr. Ng was an executive director and the chief executive officer of M Dream Inworld Limited ("M Dream"), a company listed on the GEM, from 9 July 2010 to 31 May 2011 and from 29 May 2012 to 24 May 2013, was also the company secretary of M Dream from 1 January 2007 to 31 May 2011. Mr. Ng is currently an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and the remuneration committee of China Fortune Financial Group Limited, a company whose issued shares are listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yip Kat Kong, Kenneth, aged 51, has served as an INED of the Company since July 2013 and is a member of Nomination Committee, the Remuneration Committee and the Audit Committee. He is the founder and chairman of Great China Capital Group Limited and Greater China Corporation Consultants Limited, both specialize in company restructuring, listing, portfolio investment and merger and acquisition. He has over 30 years of experience in the accounting profession and, coupled with his hands-on experience and expertise in different industries, has been engaged in various growing enterprises including those listed on the Stock Exchange to serve as their strategic and business advisor. Mr. Yip is a member of various business and commercial organizations and societies in both China and Hong Kong, including, a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員), Executive President of Huizhou Youth Federation of Overseas Chinese (廣東惠州市僑界青年聯合會執行會長), a standing member of Guangdong Federation of Industry & Commerce (廣東省僑聯常務委員), an executive member of Guangdong Federation of Industry & Commerce (廣東省工商業聯合會(總商會)執委), a Director of Guangdong Overseas Friendship Association (廣東海外聯誼會理事) and a member of China Affairs Committee of The Chinese General Chamber of Commerce Hong Kong (香港中華總商會中國內地事務委員).

SENIOR MANAGEMENT

Mr. Lai Yau Hong, Thomson, aged 51, joined the Group in December 2010, is the company secretary of the Company. Mr. Lai has over 21 years of experience in company secretarial duties as well as corporate governance and management fields and has taken up senior management positions in a number of multinational conglomerates and companies listed on the Stock Exchange. He is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

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 2013, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions under the Corporate Governance 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 is no separation of the roles of chairman and chief executive officer as set out in the Code Provision A.2.1.

Mr. Cheung Wai Yin, Wilson currently assumes the roles of both the chairman and chief executive officer of the Company. Traditionally, the chief executive officer of the Company also assumes the role of the chairman of the Company because it is believed that the structure of the Board ensures the balance of power and authority therefore no need to segregate the roles of the chairman and chief executive officer of the Company. Mr. Cheung Wai Yin, Wilson, has substantial experience that is essential to fulfilling the role of the chairman of the Company, at the same time, he has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the chief executive officer of the Company in the day-to-day management of the Group.

The Board is currently composed of six directors including three independent non-executive directors with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the management of the Company's major operating subsidiaries are performed by the managing director and other individuals. The balance of power and authority is therefore ensured by the current structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board, as well as the Company, intends to comply with this code provision by seeking and appointing suitable candidate with appropriate background, acknowledge, experience and calibre to assume the role as the chairman 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 the Company is in compliance with paragraph 4(2) of Appendix 3 under the GEM Listing Rules and such a deviation is not material as casual vacancy is expected 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 the managing director and their leaderships 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 and the managing director 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 nor established written guidelines regarding the securities transactions by the directors and relevant employees 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 2013.

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 should take decision objectively 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.

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 2013, the Board held nineteen meetings. The attendance of a director appointed part way during this financial year is stated by reference to the number of meetings held during his/her tenure. 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
Cheung Wai Yin, Wilson	19/19
Lau Chi Yan, Pierre	19/19
Wong Chi Man	19/19
Yeung Mo Sheung, Ann	18/19
Ng Kay Kwok	8/8
Yip Kat Kong, Kenneth	8/8

CORPORATE GOVERNANCE REPORT

Mr. Lau Ho Wai, Lucas resigned as an independent non-executive director of the Company on 19 June 2013 and his appointment as a member of the nomination committee, a member of the remuneration committee and as a member of the audit committee of the Company has been revoked with effect from 19 June 2013. Mr. Lam Kin Kau, Mark retired at the annual general meeting of the Company held 28 June 2013 and not offering himself for re-election, and thus, accordingly ceased to be an independent non-executive director of the Company with effect from 28 June 2013 and his appointment as a member of the nomination committee, a member of the remuneration committee and as a member of the audit committee of the Company has been revoked with effect from 28 June 2013. Mr. Ma Hang Kon, Louis resigned as an executive director of the Company on 16 October 2013. To fill the vacancies caused by the resignation of Mr. Lau Ho Wai, Lucas and the cessation of Mr. Lam Kin Kau, Mark as independent non-executive directors of the Company, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth were appointed independent non-executive directors of the Company on 26 July 2013 and they were also appointed as members of the nomination committee, members of the remuneration committee and as members of the audit committee of the Company with effect from 26 July 2013. Furthermore, Mr. Lau Chi Yan, Pierre was appointed as the managing director of the Company with effect from 26 July 2013.

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. During the year ended 31 December 2013, the company secretary has taken over 15 hours of relevant professional training.

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.

During the year ended 31 December 2013, each Director has ensured that he can give sufficient time and attention to the Company's affairs and has participated in continuous professional development to develop and refresh their knowledge and skills.

Name of Directors	Training received
Cheung Wai Yin, Wilson	Reading materials/in house briefing on regulatory and corporate governance matters
Lau Chi Yan, Pierre	Reading materials/in house briefing on regulatory and corporate governance matters
Wong Chi Man	Reading materials/in house briefing on regulatory and corporate governance matters
Yeung Mo Sheung, Ann	Reading materials/in house briefing on regulatory and corporate governance matters
Ng Kay Kwok	Reading materials/in house briefing on regulatory and corporate governance matters
Yip Kat Kong, Kenneth	Reading materials/in house briefing on regulatory and corporate governance matters

BOARD'S COMPOSITION

As at the date of this Annual Report, the Board comprises two executive directors, namely Mr. Cheung Wai Yin, Wilson (also acting as the Chairman and CEO) and Mr. Lau Chi Yan, Pierre (also acting as the Managing Director), one non-executive director, namely Mr. Wong Chi Man and three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth. The Board has maintained a balance of skills, experience and diversity of perspectives appropriate to 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 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 GEM Listing Rules 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 "Directors and Senior Management" in this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

THE CHAIRMAN AND THE CEO

Presently, Mr. Cheung Wai Yin, Wilson assumes the roles of both the Chairman and the CEO of the Company. The reasons for the deviation from the Code Provision A2.1 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. Two of the three 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.

THE COMPANY SECRETARY

The Company has appointed and employed, on a full time basis, Mr. Lai Yau Hong, Thomson as the company secretary. He is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is an individual who, by virtue of his professional qualifications and relevant experience, is, in the opinion of the Board, capable of discharging the functions of company secretary. During the year ended 31 December 2013, the company secretary has taken over 15 hours of relevant professional training.

The company secretary is responsible not just for taking minutes of the Board's meetings but also for supporting the board by ensuring good information flow within the Board and that board policy and procedures are followed and for advising the Board through the Chairman and the CEO on governance matters and also for facilitating induction and professional development of directors.

The company secretary reports to the Chairman and the CEO while all directors have access to the advice and services of him to ensure that board procedures, and all applicable law, rules and regulations, are followed.

A physical board meeting is required to be held to discuss and approve any change in the company secretary.

BOARD COMMITTEES

The Board has established three committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, with clearly defined written terms of reference. The main roles and responsibilities of these three 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.

CORPORATE GOVERNANCE REPORT

Nomination Of The Directors

Pursuant to the requirements of the GEM Listing Rules, the Company has established the Nomination Committee in 2012 with specific written terms of reference in line with the code provisions under the Code.

The responsibilities and authorities of the Nomination Committee include such responsibilities and authorities set out in the relevant code provisions of the Code and its duties include: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of INEDs; and (iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the CEO.

The Nomination Committee will at all times, have a minimum of three members, a majority of which shall be INEDs and presently consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. The chairman of the Nomination Committee is elected by the members who are present at the meeting.

The Nomination Committee will meet as and when required to discharge its responsibilities, but not less than once a year. During the year ended 31 December 2013, the Nomination Committee held four meetings. The attendance of a member appointed as a director part way during this financial year is stated by reference to the number of meetings held during his/her tenure. The attendance of the members of the Nomination Committee at the Nomination Committee's meetings (either in person or by phone) is set out as follows:

Name of the members of the Nomination Committee	Number of attendance
Cheung Wai Yin, Wilson	3/4
Lau Chi Yan, Pierre	4/4
Yeung Mo Sheung, Ann	4/4
Ng Kay Kwok	1/1
Yip Kat Kong, Kenneth	1/1

For the year ended 31 December 2013, the members of the Nomination Committee have reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee also identified and selected individuals suitably qualified to become Directors of the Company and make recommendations to the Board on the respective appointment of individuals nominated for directorships.

The Nomination Committee has assessed the independence of INEDs for the year ended 31 December 2013.

During the year ended 31 December 2013, the Nomination Committee was provided with sufficient resources to perform its duties and responsibilities and at the Company's expense to seek independent professional advice, where and when necessary.

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.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee for the year ended 31 December 2013 consisted of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Yip Kat Kong, Kenneth and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. The chairman of the Remuneration Committee is elected by the members who are present at the meeting.

During the year ended 31 December 2013, the Remuneration Committee held three meetings. The attendance of a member appointed as a director part way during this financial year is stated by reference to the number of meetings held during his/her tenure. The attendance of the members of the Remuneration Committee at the Remuneration Committee's meetings (either in person or by phone) is set out as follows:

Name of the members of the Remuneration Committee	Number of attendance
Cheung Wai Yin, Wilson	3/3
Lau Chi Yan, Pierre	3/3
Yeung Mo Sheung, Ann	3/3
Ng Kay Kwok	0/0
Yip Kat Kong, Kenneth	0/0

At least 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 2012. The share option scheme enable 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 3 May 2012 are set out in the section headed "Report of the Directors" in this Annual 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 Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth for the year ended 31 December 2013, 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.

CORPORATE GOVERNANCE REPORT

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 2013, the Audit Committee held six meetings. The attendance of a member appointed as a director part way during this financial year is stated by reference to the number of meetings held during his/her tenure. 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
Yeung Mo Sheung, Ann	6/6
Ng Kay Kwok	2/2
Yip Kat Kong, Kenneth	2/2

For the year ended 31 December 2013, 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 2013, 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 auditor. The Audit Committee also reviewed the quarterly results for the period ended 31 March 2013 and 30 September 2013, the half-yearly results for the period ended 30 June 2013 and the annual results for year ended 31 December 2012 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. Elite Partners CPA Limited, who was appointed on the Extraordinary General Meeting held on 6 February 2013, as the Company's external auditors subject to the Shareholders' approval at the forthcoming AGM of the Company.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the remuneration paid/payable to the external auditors of the Group, Elite Partners CPA Limited, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	550

CORPORATE GOVERNANCE REPORT

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. Elite Partners 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 CEO for approval and they also discuss and agree their audit plan with the Audit Committee at the Audit Committee's meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of company secretary at the Company's head office and principal place of business in Hong Kong.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Article 86(2) of the Articles sets out that the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board, subject to the Articles and the Companies Law of the Cayman Islands.

Pursuant to Article 88 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such written notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such written notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders and investors and discloses information in compliance with the GEM Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports.

The corporate website of the Company has provided an effective communication platform to the shareholders and the investors as well as the general publics.

During the year under review, there is no change in the Company's constitutional documents.

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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The subsidiaries are engaged in the forestry business, plantation business and trading business, including the trading of agricultural-related products and various brands of milk powder products to customers based in Hong Kong and distributorship of information technology products with technical support services. 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 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 40.

The directors do not recommend payment of any dividend for the year (2012: 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 year 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 year, together with the reasons therefor, are set out in notes 29, 30 and 28 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 of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 2013.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$83,472,000 (2012: HK$33,757,000). This included the Company's share premium account amounting to approximately HK$708,125,000 (2011: HK$703,864,000) 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 year is as follows:

	Percentage of the Group's total sales	
	2013	2012
Largest customer	**37%**	100%
Five largest customers	**83%**	100%

	Percentage of the Group's total purchase	
	2013	2012
Largest supplier	**77%**	100%
Five largest suppliers	**99%**	100%

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.

DIRECTORS

The Directors during the year ended 31 December 2013 and up to the date of this Annual Report are as follows:

Executive Directors:

Cheung Wai Yin, Wilson
Lau Chi Yan, Pierre
Ma Hang Kon, Louis (Resigned on 16 October 2013)

Non-executive Directors:

Wong Chi Man

Independent non-executive Directors:

Yeung Mo Sheung, Ann
Lam Kin Kau, Mark (Ceased to be a Director on 28 June 2013)
Lau Ho Wai, Lucas (Resigned on 19 June 2013)
Mr. Ng Kay Kwok (Appointed on 26 July 2013)
Mr. Yip Kat Kong, Kenneth (Appointed on 26 July 2013)

REPORT OF THE DIRECTORS

In accordance with article 87 of the Company's articles of association, Mr. Wong Chi Man, being the longest in office since his last re-election in the year 2012 have to retire at the forthcoming AGM of the Company and being eligible, he offer himself for re-election at the forthcoming AGM of the Company.

In accordance with article 86(3) of the Company's articles of association, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, both being additional directors appointed by the board during the year 2013, 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.

All INEDs of the Company are appointed for a term of one year. 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 13 to 14 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

All INEDs are appointed for a term of one year and are subject to retirement by rotation in accordance with the Company's articles of association.

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

The two executive Directors, namely Mr. Cheung Wai Yin, Wilson, and Mr. Lau Chi Yan, Pierre have each entered into a two-year service contract with the Company commencing from 24 August 2012 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.

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 2013.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the shareholders of the Company in the annual general meeting of the Company held on 3 May 2012 and was effective from that date. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

As at 31 December 2013, there were 1,697,948 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 1,697,948, which represents approximately 0.44% and 0.27% of the total issued share capital of the Company as at 31 December 2013 and the date of this report respectively.

REPORT OF THE DIRECTORS

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 2013	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Adjusted during the period upon effective of share consolidation and rights issue (Note 1)	Outstanding as at 31 December 2013	Date of grant of the share options	Exercise period of the share options	Price of the shares before the date of grant (Note 2) per share	Original exercise price of the share options (Note 1) per share	Adjusted exercise price of the share options after share consolidation and rights issue (Note 1) per share
Executive directors											
Cheung Wai Yin, Wilson	–	8,500,000	(8,500,000)	–	–	–	17/1/2013	17/1/2013–16/1/2023	HK$0.01	HK$0.01	not applicable
Lau Chi Yan, Pierre	–	85,000,000	(85,000,000)	–	–	–	17/1/2013	17/1/2013–16/1/2023	HK$0.01	HK$0.01	not applicable
Non-executive director											
Wong Chi Man	–	3,000,000	–	–	(2,940,770)	59,230	17/1/2013	17/1/2013–16/1/2023	HK$0.01	HK$0.01	HK$0.51
Independent non-executive director											
Yeung Mo Sheung, Ann	–	3,500,000	–	–	(3,430,897)	69,103	17/1/2013	17/1/2013–16/1/2023	HK$0.01	HK$0.01	HK$0.51
Employees and other eligible participants											
Employees	13,000,000	–	–	(4,000,000)	(8,822,308)	177,692	30/5/2012	30/5/2012–29/5/2022	HK$0.017	HK$0.017	HK$0.86
Other eligible participants	70,500,000	–	–	–	(69,108,077)	1,391,923	30/5/2012	30/5/2012–29/5/2022	HK$0.017	HK$0.017	HK$0.86
	–	495,000,000	(495,000,000)	–	–	–	17/1/2013	17/1/2013–16/1/2023	HK$0.01	HK$0.01	not applicable
	83,500,000	595,000,000	(588,500,000)	(4,000,000)	(84,302,052)	1,697,948					

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. As a result of the share consolidation of 40 into 1 effective on 26 March 2013 and the rights issue completed on 17 July 2013, pursuant to the terms and conditions of the Share Option Scheme, the number and the exercise price of share options have been adjusted accordingly.

2. The 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.

REPORT OF THE DIRECTORS

Save as disclosed above, at the date of this report, no other share options were exercised subsequent to the balance sheet date.

During the year ended 31 December 2013, a total of 595,000,000 share options# were granted by the Company on 17 January 2013 under the Share Option Scheme, among which 100,000,000 share options# were granted to four directors of the Company. The directors of the Company have estimated the following theoretical valuations of the said 595,000,000 share options# granted under the Share Option Scheme during the period, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

Name of grantees	**Number of share options granted during the period#**	**Theoretical value of the share options** HK$
Cheung Wai Yin, Wilson	8,500,000	47,457
Lau Chi Yan, Pierre	85,000,000	474,571
Wong Chi Man	3,000,000	16,750
Yeung Mo Sheung, Ann	3,500,000	19,541
Others	495,000,000	2,763,681
	595,000,000	3,322,000

The fair value of the share options granted during the year ended 31 December 2013 was approximately HK$3,322,000 (2012: HK$974,000) of which the Group recognised a share option expense of approximately HK$3,322,000 (2012: HK$974,000) during the year.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	74.19
Historical volatility (%)	74.19
Risk-free interest rate (%)	0.39
Expected life of share options (year)	5
Closing share price at grant date (HK$)	0.01

The expected life of the share options is based on management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

without adjustments for the share consolidation effective on 26 March 2013 and the rights issue completed on 17 July 2013

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

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

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

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

Name of directors	Number of the shares interested and nature of interest Personal	 Corporate	 Total	Approximate percentage of the total issued share capital of the Company (%)
Cheung Wai Yin, Wilson	297,500	52,500,000 (note 1)	52,797,500	13.68
Lau Chi Yan, Pierre (note 2)	2,125,000	–	2,125,000	0.55

Notes:

1. These shares are interest of a controlled corporation, Ivana, which is wholly owned by Mr. Cheung Wai Yin, Wilson.

2. Mr. Lau Chi Yan, Pierre is the Managing Director of the Company with effect from 26 July 2013.

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

Name of directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Wong Chi Man	17/1/2013	17/1/2013–16/1/2023	0.51	59,230	59,230	0.02
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013–16/1/2023	0.51	69,103	69,103	0.02

REPORT OF THE DIRECTORS

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

Name of the holder of the convertible bonds	**Principal amount of the convertible bonds** HK$	**Number of the total underlying shares**	**Approximate percentage of the total issued share capital of the Company** (%)
Cheung Wai Yin, Wilson	150,000,000	37,500,000	9.72

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2014) were issued by the Company on 12 August 2008 as part of the consideration to acquire the forestry business. They are unlisted, interest-free and convertible into the shares of the Company at the adjusted conversion price of HK$4.00 per share of the Company (subject to adjustment according to the terms of the convertible bonds). The interest is held by a controlled corporation, Ivana, which is wholly owned by Mr. Cheung.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in Shares and Underlying Shares" and "Share Option Scheme" above, at no time during the year ended 31 December 2013 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

REPORT OF THE DIRECTORS

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

As at 31 December 2013, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Name of shareholders	Capacity and nature of interest	Notes	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
Ivana	Directly beneficially owned	1	52,500,000	13.61
CLC Finance Limited ("CLC")	Security interest	1 and 2	37,500,000	9.72
CL Group (Holdings) Limited ("CLGH")	Through a controlled corporation	2 and 3	37,500,000	9.72
Au Suet Ming, Clarea	Through a controlled corporation	3	37,500,000	9.72
Au Kai To, Karel	Personal interest		20,000,000	5.18
Manistar Enterprises Limited ("Manistar")	Directly beneficially owned	4	33,294,102	8.63
CCT Capital International Holdings Limited	Through a controlled corporation	4	33,294,102	8.63
CCT Fortis Holdings Limited ("CCT Fortis")	Through a controlled corporation	4	33,294,102	8.63
Mak Shiu Tong, Clement	Through a controlled corporation	4	33,294,102	8.63

Notes:

1. Ivana has financial arrangement with CLC in which CLC has security interest over these shares.

2. CLC is wholly-owned by CLGH, which is thus interested in the respective shares.

3. Ms. Au Suet Ming, Clarea is deemed to be interested in such shares of the Company under the SFO as she is entitled to exercise or control the exercise of one-third or more of the voting power at general meeting of CLGH.

4. Manistar is wholly-owned by CCT Capital International Holdings Limited which in turn is a wholly-owned subsidiary of CCT Fortis. 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 Fortis.

REPORT OF THE DIRECTORS

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

Name of the holder of the convertible bonds	Principal amount of the convertible bonds HK$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
Ivana	150,000,000	37,500,000	9.72

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

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 2013, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 year under review, except for the deviations from Code Provisions A.2.1 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.

AUDITORS

On 20 December 2012, Crowe Horwath resigned as auditors of the Company. Elite Partners was appointed as the auditors of the Company at the extraordinary general meeting held on 6 February 2013.

The consolidated financial statements for the year ended 31 December 2013 have been audited by Elite Partners, 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

Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong
14 March 2014

Independent Auditor's Report

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

To the shareholders of Merdeka 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 35 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 this 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 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 2013, 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 3(a) to the financial statements which indicates that as of 31 December 2013, the Group's current liabilities exceed its current assets by approximately HK$150,684,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on whether the convertible bonds holder agrees to extend the settlement of the principal amount of convertible bonds of approximately HK$197,880,000. This condition indicates the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 14 March 2014

Yip Kai Yin
Practising Certificate Number P05131

Suites 2B-4A, 20th Floor, Tower 5,
China Hong Kong City, 33 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	7	**40,762**	7,909
Cost of sales		**(38,677)**	(7,742)
Gross profit		**2,085**	167
Other income	7	**2,316**	440
Operating expenses		**(5,923)**	(19,282)
Administrative expenses		**(10,730)**	(11,973)
Impairment of forest concessions		**(70,000)**	(560,000)
Impairment of property, plant and equipment		**–**	(16,000)
Written off of construction in progress		**(5,000)**	–
Written off of property, plant and equipment		**(2,347)**	–
Written off of biological assets		**–**	(9,579)
Equity-settled share option expenses		**(3,275)**	(974)
Loss from operations		**(92,874)**	(617,201)
Finance costs	10	**(22,279)**	(26,872)
LOSS BEFORE TAX	8	**(115,153)**	(644,073)
Income tax	13	**–**	–
LOSS FOR THE YEAR		**(115,153)**	(644,073)
Attributable to:			
Owners of the Company	14	**(109,167)**	(613,037)
Non-controlling interests		**(5,986)**	(31,036)
LOSS FOR THE YEAR		**(115,153)**	(644,073)
LOSS PER SHARE			(Represented)
Basic and diluted	16	**(HK$0.33)**	(HK$2.28)

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

The notes on pages 41 to 89 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
LOSS FOR THE YEAR	**(115,153)**	(644,073)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit and loss:		
Exchange difference on translating of financial statements of overseas subsidiaries	**(76)**	(6)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(115,229)**	(644,079)
Total comprehensive loss attributable to:		
Owners of the Company	**(109,243)**	(613,043)
Non-controlling interests	**(5,986)**	(31,036)
	(115,229)	(644,079)

The notes on pages 41 to 89 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,245**	13,106
Forest concessions	18	**199,811**	269,811
Goodwill	19	**6,341**	–
Total non-current assets		**207,397**	282,917
Current assets			
Trade receivables	21	**2,300**	2,365
Prepayments, deposits and other receivables	22	**29,168**	26,498
Cash and cash equivalents	23	**7,895**	2,620
Total current assets		**39,363**	31,483
Total assets		**246,760**	314,400
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Issued capital	29	**3,859**	85,786
Reserves	31(a)	**54,504**	30,016
		58,363	115,802
Non-controlling interests		**(1,650)**	4,336
Total equity		**56,713**	120,138
Non-current liabilities			
Convertible bonds	28	**–**	189,705
Current liabilities			
Bank borrowings	24	**366**	–
Trade payables	25	**917**	–
Other payables and accruals	26	**1,293**	4,557
Convertible bonds	28	**187,471**	–
Total current liabilities		**190,047**	4,557
Total liabilities		**190,047**	194,262
Total equity and liabilities		**246,760**	314,400
Net current (liabilities)/assets		**(150,684)**	26,926
Total assets less current liabilities		**56,713**	309,843

Cheung Wai Yin, Wilson
Director

Lau Chi Yan, Pierre
Director

The notes on pages 41 to 89 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium account HK$'000 *	Contributed surplus HK$'000 *	Equity component of convertible bonds HK$'000 *	Share option reserve HK$'000 *	Capital Reduction Reserve HK$'000 *	Exchange fluctuation reserve HK$'000 *	Accumulated losses HK$'000 *	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
1 January 2012	63,786	555,588	66,710	51,732	14,491	–	28	(171,741)	580,594	35,372	615,966
Changes in equity for 2012:											
Loss for the year	–	–	–	–	–	–	–	(613,037)	(613,037)	(31,036)	(644,073)
Other comprehensive loss	–	–	–	–	–	–	(6)	–	(6)	–	(6)
Total comprehensive loss	–	–	–	–	–	–	(6)	(613,037)	(613,043)	(31,036)	(644,079)
Issue of new shares upon conversion of convertible bonds	18,000	146,276	–	(22,999)	–	–	–	–	141,277	–	141,277
Equity-settled share option arrangements	–	–	–	–	974	–	–	–	974	–	974
Issue of new shares (share-based payments)	4,000	2,000	–	–	–	–	–	–	6,000	–	6,000
Forfeiture of share options	–	–	–	–	(14,491)	–	–	14,491	–	–	–
At 31 December 2012 and 1 January 2013	85,786	703,864	66,710	28,733	974	–	22	(770,287)	115,802	4,336	120,138
Changes in equity for 2013:											
Loss for the year	–	–	–	–	–	–	–	(109,167)	(109,167)	(5,986)	(115,153)
Other comprehensive loss	–	–	–	–	–	–	(76)	–	(76)	–	(76)
Total comprehensive loss	–	–	–	–	–	–	(76)	(109,167)	(109,243)	(5,986)	(115,229)
Issue of rights shares	36,669	–	–	–	–	–	–	–	36,669	–	36,669
Expenses incurred in connection with issue of rights shares	–	(1,979)	–	–	–	–	–	–	(1,979)	–	(1,979)
Equity-settled share option arrangements	–	–	–	–	3,322	–	–	–	3,322	–	3,322
Issue of new shares upon exercise of share options	5,885	3,286	–	–	(3,286)	–	–	–	5,885	–	5,885
Forfeiture of share options	–	–	–	–	(47)	–	–	–	(47)	–	(47)
Issue of consideration shares	8,000	(3,400)	–	–	–	–	–	–	4,600	–	4,600
Partial redemption of convertible Bonds	–	–	–	(3,450)	–	–	–	–	(3,450)	–	(3,450)
Capital reduction of issued shares	(132,931)	–	–	–	–	132,931	–	–	–	–	–
Issue of new shares upon placing	450	6,354	–	–	–	–	–	–	6,804	–	6,804
At 31 December 2013	3,859	708,125	66,710	25,283	963	132,931	(54)	(879,454)	58,363	(1,650)	56,713

* These reserve accounts comprise the consolidated reserves of approximately HK$54,504,000 (2012: HK$30,016,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(115,153)**	(644,073)
Adjustments for:		
Finance costs	**22,279**	26,872
Interest income	**(1)**	(145)
Depreciation	**5,098**	7,201
Loss on disposal of property, plant and equipment	**87**	1,089
Gain on disposal of property, plant and equipment	**–**	(127)
Written off of construction in progress	**5,000**	–
Written off of property, plant and equipment	**2,347**	–
Impairment of forest concessions	**70,000**	560,000
Impairment of property, plant and equipment	**–**	16,000
Impairment of prepayments, deposits and other receivables	**–**	1,701
Written off of biological assets	**–**	9,579
Written off of inventories	**–**	1,914
Gain on early redemption of Convertible bonds	**(2,237)**	–
Equity-settled share option expenses	**3,275**	974
Gain on exchange reserve	**(76)**	–
	(9,381)	(19,015)
Decrease in trade receivables	**173**	513
Increase in prepayments, deposits and other receivables	**(2,433)**	(19,885)
Decrease in trade payables	**(161)**	–
(Decrease)/increase in other payables and accruals	**(3,903)**	3,026
Net cash flows used in operating activities	**(15,705)**	(35,361)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**1**	145
Purchases of property, plant and equipment	**(1,427)**	–
Proceeds from disposal of property, plant and equipment	**766**	2,155
Net cash inflow from acquisition of a subsidiary	**42**	–
Net cash flows (used in)/from investing activities	**(618)**	2,300
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid on bank borrowings	**(79)**	–
Proceeds from issue of shares upon exercise of share options	**5,885**	–
Proceeds from issue of shares upon rights issue	**34,690**	–
Proceeds from placing of shares	**6,804**	–
Redemption of convertible bonds	**(25,647)**	–
Repayment of bank borrowings	**(55)**	–
Net cash flows from financing activities	**21,598**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,275**	(33,061)
Cash and cash equivalents at beginning of year	**2,620**	35,681
Effect of foreign exchange rate changes, net	**–**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	**7,895**	2,620

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**331,002**	381,085
Current assets			
Prepayments, deposits and other receivables	22	**6,077**	6,027
Cash and cash equivalents	23	**7,098**	48
Total current assets		**13,175**	6,075
Total assets		**344,177**	387,160
EQUITY AND LIABILITIES			
Issued capital	29	**3,859**	85,786
Reserves	31(b)	**127,922**	81,667
Total equity		**131,781**	167,453
Non-current liabilities			
Convertible bonds	28	**–**	189,705
Current liabilities			
Other payables and accruals	26	**171**	3,210
Due to subsidiaries	20	**24,754**	26,792
Convertible bonds	28	**187,471**	–
Total current liabilities		**212,396**	30,002
Total liabilities		**212,396**	219,707
Total equity and liabilities		**344,177**	387,160
Net current liabilities		**(199,221)**	(23,927)
Total assets less current liabilities		**131,781**	357,158

Cheung Wai Yin, Wilson
Director

Lau Chi Yan, Pierre
Director

The notes on pages 41 to 89 form part of these financial statements.

Notes to the Financial Statements

31 December 2013

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 1502, Chinachem Century Tower, 178 Glouster Road, Wanchai, Hong Kong.

The directors consider that the Company's ultimate controlling parent company is Ivana Investments Limited, which is a private company incorporated in British Virgin Island and does not produce consolidated financial statements available for public use.

During the year ended 31 December 2013, the principal activity of the Company was investment holding. The principal activities of the subsidiaries comprised trading business, forestry business, plantation business and information technology business.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 (the "GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has 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 consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the following:

(i) The Group incurred a net loss of approximately HK$115,153,000 for the year ended 31 December 2013 and the Group's current liabilities exceeded its current assets by approximately HK$150,684,000 as at 31 December 2013; and

(ii) The outstanding principal amount of convertible bonds of approximately HK$197,880,000 will be matured on 12 August 2014.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The validity of which is dependent on whether the convertible bonds holder agree to extend the settlement of the convertible bonds amounting to approximately HK$197,880,000. As of the date of this report, the Company obtained written confirmation from the majority of convertible bonds holder that they will not call for repayment within twelve months. Under this circumstance, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2013 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

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.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries and non-controlling interests

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of over the years are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other member of Group.

All intragroup transaction balance, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations

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.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that:

- a 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 the acquisition are recognised and measured in accordance with HKAS 12 Income Tax;

- assets or liabilities 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 share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see accounting policy below); 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, when applicable, on the basis specified in another HKFRSs.

Where the consideration transferred by the Group 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 included 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 against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

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 Financial Instruments: Recognition and Measurement, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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 at the acquisition date that, if known, would have affected the amounts recognised at that date.

(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.

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	Over the lease term
Computer and office equipment	20% to 33%
Motor vehicles	25%

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 the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

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) Goodwill

Goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating unit, or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

(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 revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any subsequent accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as 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.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (Continued)

Forest concession rights acquired by the Group are stated at cost less accumulated amortisation and any accumulated impairment losses. These concession rights give the Group 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.

(g) Lease

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 as expenses in the accounting period in which they are incurred.

(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 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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other operating expenses.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets

i) Impairment of trade and other receivables

Trade and other receivables that are carried at cost or amortised cost 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 an equity instrument below its cost.

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

– 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 these 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 2013

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;
- forest concessions; and
- 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.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

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.

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.

(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) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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

Convertible bonds issued by the Group contain a liability and a conversion option. The liability and conversion option are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the fair value of the liability component is determined using the prevailing market interest rates of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (equity component of convertible bonds).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible bonds until the embedded conversion option is exercised (in which case the balance stated in equity component of convertible bonds will be transferred to share premium).

Where the conversion option remains unexercised at the expiry date, the balance stated in equity component of convertible bonds will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

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 profit or loss.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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 differences 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.

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.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

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 an 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 an outflow of economic benefits is remote.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Related parties

a) A person, or a close member of that person's family, is related to the Group if that person:

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the Group or the Group's parent.

b) An entity is related to the Group if any of the following conditions applies:

i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

vi) The entity is controlled or jointly controlled by a person identified in a).

vii) A person identified in a) i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person 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.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 Black Scholes Option Pricing 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 resulting 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 profit or loss.

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 statements of profit or loss 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.

Notes to the Financial Statements

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. NEW AND REVISED HKFRSs APPLIED

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual Improvements to HKFRSs (2009–2011)	Amendments to HKFRS 1, HKAS 1, HKAS 16, HKAS 32 and HKAS 34

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies except the following:

(i) HKFRS 10 "Consolidated Financial Statements" modifies the concept of "control" substantially. The Group's adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities; and

(ii) HKFRS 13 "Fair Value Measurement" introduces a number of new concepts and principles regarding fair value measurement. The Group's adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

The initial application of these financial reporting standards does not necessitate retrospective adjustments of the comparatives presented in the consolidated financial statements.

Notes to the Financial Statements

31 December 2013

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) Property, plant and equipment and depreciation

The Group's 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.

(ii) Impairment of assets

The Group's management 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.

(iii) 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.

(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.

Notes to the Financial Statements

31 December 2013

6. SEGMENT REPORTING

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

(a) the trading business segment engaged in the trading of goods, components and accessories;

(b) the forestry business segment engaged in logging of trees, the operations of wood-processing factories and the sale of sawn timber, other timber and wood products;

(c) the plantation business segment engaged in plantation of oil palm trees and sale of palm oil; and

(d) the information technology business segment engaged in distributorship of information technology products and the provision of relevant technical support services.

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 arose 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 tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to the Financial Statements

31 December 2013

6. SEGMENT REPORTING (Continued)

For the year ended 31 December 2013

HK$'000	Trading business	Forestry business	Plantation business	Information Technology business	Total	Reconciliations	Group Total
Segment revenue:							
Revenue from external customers	38,038	–	–	2,724	40,762	–	40,762
Operating profit/(loss)	982	(78,768)	–	(846)	(78,632)	10,034	(68,598)
Interest income	–	1	–	–	1	–	1
Finance costs	–	(22,200)	–	(79)	(22,279)	–	(22,279)
Reconciled items:							
Unallocated expenses	–	–	–	–	–	(21,002)	(21,002)
Equity-settled share option expenses	–	–	–	–	–	(3,275)	(3,275)
Profit/(loss) before tax	982	(100,967)	–	(925)	(100,910)	(14,243)	(115,153)
Impairment loss on forest concessions	–	(70,000)	–	–	(70,000)	–	(70,000)
Depreciation	–	(4,720)	–	(6)	(4,726)	(372)	(5,098)

For the year ended 31 December 2012

HK$'000	Trading business	Forestry business	Plantation business	Total	Reconciliations	Group Total
Segment revenue:						
Revenue from external customers	7,909	–	–	7,909	–	7,909
Operating profit/(loss)	167	(600,815)	(550)	(601,198)	–	(601,198)
Interest income	–	25	–	25	120	145
Finance costs	–	(26,872)	–	(26,872)	–	(26,872)
Biological assets written off	–	–	(9,579)	(9,579)	–	(9,579)
Reconciled items:						
Unallocated expenses	–	–	–	–	(5,595)	(5,595)
Equity-settled share option expenses	–	–	–	–	(974)	(974)
Profit/(loss) before tax	167	(627,662)	(10,129)	(637,624)	(6,449)	(644,073)
Impairment loss on forest concessions	–	(560,000)	–	(560,000)	–	(560,000)
Impairment loss on property, plant and equipment	–	(16,000)	–	(16,000)	–	(16,000)
Depreciation	–	(7,078)	(123)	(7,201)	–	(7,201)

Notes to the Financial Statements

31 December 2013

6. SEGMENT REPORTING (Continued)

As at 31 December 2013

HK$'000	Trading business	Forestry business	Plantation business	Information Technology business	Total	Reconciliations	Group Total
Segment assets	4,458	199,811	64	7,337	211,670	1,245	212,915
Reconciled items:							
Cash and cash equivalents	–	–	–	–	–	7,098	7,098
Unallocated assets	–	–	–	–	–	26,747	26,747
Total assets	4,458	199,811	64	7,337	211,670	35,090	246,760
Segment liabilities	–	227	–	1,544	1,771	634	2,405
Convertible bonds	–	187,471	–	–	187,471	–	187,471
Reconciled items:							
Unallocated liabilities	–	–	–	–	–	171	171
Total liabilities	–	187,698	–	1,544	189,242	805	190,047

As at 31 December 2012

HK$'000	Trading business	Forestry business	Plantation business	Total	Reconciliations	Group Total
Segment assets	2,365	280,960	–	283,325	–	283,325
Reconciled items:						
Cash and cash equivalents	–	–	–	–	48	48
Unallocated assets	–	–	–	–	31,027	31,027
Total assets	2,365	280,960	–	283,325	31,075	314,400
Segment liabilities	–	1,047	–	1,047	–	1,047
Convertible bonds	–	189,705	–	189,705	–	189,705
Reconciled items:						
Unallocated liabilities	–	–	–	–	3,510	3,510
Total liabilities	–	190,752	–	190,752	3,510	194,262

Notes to the Financial Statements

31 December 2013

6. SEGMENT REPORTING (Continued)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Hong Kong	**40,762**	7,909

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

(b) Non-current assets

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Indonesia	**199,811**	282,731
Hong Kong	**7,586**	186
	207,397	282,917

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

Information about major customers

Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Customer A – revenue from trading business – Hong Kong	**–**	7,909
Customer B – revenue from trading business – Hong Kong	**15,253**	–
Customer C – revenue from trading business – Hong Kong	**6,902**	–
Customer D – revenue from trading business – Hong Kong	**5,368**	–
	27,523	7,909

Notes to the Financial Statements

31 December 2013

7. REVENUE AND OTHER INCOME

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. An analysis of revenue and other income is as follows:

	2013 HK$'000	2012 HK$'000
Revenue:		
Revenue from trading business	**38,038**	7,909
Revenue from information technology business	**2,724**	–
	40,762	7,909
Other income:		
Interest income on bank deposit	**1**	145
Gain on early redemption of convertible bonds	**2,237**	–
Other	**78**	295
	2,316	440

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2013 HK$'000	2012 HK$'000
(a) Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	**6,920**	9,886
Termination expenses	**303**	1,104
Equity-settled share-option expenses	**3,275**	974
Pension scheme contributions	**115**	97
	10,613	12,061
(b) Other items:		
Auditors' remuneration		
– Audit services	**593**	741
Depreciation	**5,098**	7,201
Minimum lease payments under operating leases:		
Land and buildings	**586**	1,071
Loss on disposal of property, plant and equipment	**87**	1,089
Impairment of prepayments, deposits and other receivables	**–**	1,701
Written off of inventories	**–**	1,914
Foreign exchange loss, net	**78**	346

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9. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2013

On 1 May 2013, two subsidiaries of the Company, Merdeka Logging Limited and Merdeka Kayu Limited, were struck off. The subsidiaries was dormant before the strike off.

Net liabilities written off

	Year ended 31 December 2013 HK$'000
Net liabilities disposed	872
Less: Waive of current accounts	(872)
Loss on disposal of subsidiaries	–

The disposal did not involve cash flow of cash and cash equivalents.

(b) For the year ended 31 December 2012

On 6 November 2012, a subsidiary of the Company, Merdeka Kayu (Singapore) Pte. Ltd., was struck off. The subsidiary was dormant before the strike off.

Net liabilities written off

	Year ended 31 December 2012 HK$'000
Net liabilities disposed	(325)
Less: Waive of current accounts	325
Loss on disposal of subsidiary	–

The disposal did not involve cash flow of cash and cash equivalents.

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest charge on convertible bonds (Note)	**22,200**	26,872
Interest charge on bank borrowings	**79**	–
	22,279	26,872

Note: The charge represents the imputed interest on the liability component of the convertible bonds for the year.

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11. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2013 HK$'000	2012 HK$'000
Executive directors:		
Fees	–	–
Other emoluments:		
Salaries, housing allowances, other allowances and benefits in kind	3,246	3,455
Pension scheme contributions	18	19
Equity-settled share option expenses	521	700
	3,785	4,174
Non-executive directors:		
Fees	120	43
Other emoluments:		
Salaries, housing allowances, other allowances and benefits in kind	–	266
Pension scheme contributions	–	–
Equity-settled share option expenses	17	–
	137	309
Independent non-executive directors:		
Fees	340	211
Other emoluments:		
Equity-settled share option expenses	20	123
	360	334
	4,282	4,817

During the year ended 31 December 2013 and 2012, certain directors were granted share options in respect of their services to the Group under the Company's share option scheme. The share options have been vested upon the date of grant. The fair value of such share options which has been recognised in profit or 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 disclosure for directors' emoluments.

Notes to the Financial Statements

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11. DIRECTORS' EMOLUMENTS (Continued)

(a) Independent non-executive directors

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

	Fees HK$'000	Equity-settled share option expenses HK$'000	Total emoluments HK$'000
2013:			
Lam Kin Kau, Mark (note 1)	**60**	**–**	**60**
Lau Ho Wai, Lucas (note 2)	**56**	**–**	**56**
Ng Kay Kwok	**52**	**–**	**52**
Yeung Mo Sheung, Ann (note 4)	**120**	**20**	**140**
Yip Kat Kong, Kenneth	**52**	**–**	**52**
	340	**20**	**360**
2012:			
Lam Kin Kau, Mark	70	41	111
Fung Hoi Wing, Henry (note 3)	49	41	90
Lau Ho Wai, Lucas	70	41	111
Yeung Mo Sheung, Ann (note 4)	22	–	22
	211	123	334

Note 1: Mr. Lam Kin Kau, Mark resigned as a director of the Company on 28 June 2013.

Note 2: Mr. Lau Ho Wai, Lucas resigned as a director of the Company on 19 June 2013.

Note 3: Mr. Fung Hoi Wing, Henry resigned as a director of the Company on 26 October 2012.

Note 4: Ms. Yeung Mo Sheung, Ann was appointed as a director of the Company on 26 October 2012.

(b) Non-executive directors

	Fees HK$'000	Salaries, housing allowances, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expenses HK$'000	Total emoluments HK$'000
2013:					
Wong Chi Man (note 2)	**120**	**–**	**–**	**17**	**137**
	120	**–**	**–**	**17**	**137**
2012:					
Yeh Shuen Ji (note 1)	–	133	–	–	133
Bai Baohua (note 1)	–	133	–	–	133
Wong Chi Man (note 2)	43	–	–	–	43
	43	266	–	–	309

Note 1: Mr. Yeh Shuen Ji and Mr. Bai Baohua were appointed and resigned as directors of the Company on 27 January 2011 and 15 May 2012 respectively.

Note 2: Mr. Wong Chi Man was appointed as a director of the Company on 24 August 2012.

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11. DIRECTORS' EMOLUMENTS (Continued)

(c) Executive directors

	Salaries, housing allowances, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expenses HK$'000	Total emoluments HK$'000
2013:				
Cheung Wai Yin, Wilson (note 1)	**1,200**	**–**	**47**	**1,247**
Lau Chi Yan, Pierre (note 1)	**396**	**7**	**474**	**877**
Ma Hang Kon, Louis (note 2)	**1,650**	**11**	**–**	**1,661**
	3,246	**18**	**521**	**3,785**
2012:				
Cheung Wai Yin, Wilson (note 1)	426	–	–	426
Lau Chi Yan, Pierre (note 1)	85	–	–	85
Gong Yao Qian (note 3)	94	–	–	94
Ma Hang Kon, Louis (note 2)	2,200	14	700	2,914
Lai Wing Hung (note 4)	500	5	–	505
Wong Shui Lung (note 5)	150	–	–	150
	3,455	19	700	4,174

Note 1: Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre were appointed as directors of the Company on 24 August 2012.

Note 2: Mr. Ma Hang Kon, Louis resigned as a director of the Company on 16 October 2013.

Note 3: Professor Gong Yao Qian was appointed and resigned as a director of the Company on 10 July 2012 and 27 November 2012 respectively.

Note 4: Mr. Lai Wing Hung resigned as a director of the Company on 22 June 2012.

Note 5: Mr. Wong Shui Lung was appointed and resigned as a director of the Company on 27 January 2011 and 15 May 2012 respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2013 and 2012.

During the year ended 31 December 2013 and 2012, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 3 (2012: 3) directors, details of whose emoluments are set out in note 11 above. Details of the emoluments of the remaining 2 (2012: 2) non-director, highest paid employee for the year ended 31 December 2013 are as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries, allowances and benefits in kind	**1,330**	1,124
Pension scheme contributions	**30**	28
Equity-settled share option expenses	**–**	93
	1,360	1,245

The remuneration of each of the highest paid employee who is not a director of the Company for the year ended 31 December 2013 and 2012 fell within the range from nil to HK$1,000,000.

13. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2012: 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:

	2013 **HK$'000**	2012 HK$'000
Loss before tax	**(115,153)**	(644,073)
Tax at the applicable tax rate	**(20,621)**	(156,625)
Income not subject to tax	**(5,290)**	(70)
Expenses not deductible for tax purpose	**19,520**	151,066
Tax losses not recognised	**6,391**	5,629
Tax charge at the Group's effective rate	**–**	–

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14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2013 includes a loss of approximately HK$87,476,000 (2012: HK$629,539,000) which has been dealt with in the financial statements of the Company.

15. DIVIDEND

No dividend has been paid or declared by the Company during the year (2012: 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.

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

	2013 **HK$'000**	2012 HK$'000
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation	**(109,167)**	(613,037)
	Number of shares (thousands)	
		(Represented)
Shares		
Weighted average number of ordinary shares in issue during the year	**330,158**	268,483

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2013 and 2012 in respect of a dilution as the impact of the convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share.

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17. PROPERTY, PLANT AND EQUIPMENT

	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
Cost:							
At 1 January 2012	5,000	1,257	745	45,151	1,184	1,355	54,692
Addition	–	–	–	–	–	–	–
Disposal and written off	–	–	(594)	(5,218)	(663)	(900)	(7,375)
At 31 December 2012 and at 1 January 2013	5,000	1,257	151	39,933	521	455	47,317
Addition	–	–	744	–	693	–	1,437
Disposal and written off	(5,000)	(1,257)	(151)	(39,933)	(434)	(179)	(46,954)
At 31 December 2013	–	–	744	–	780	276	1,800
Accumulated depreciation and impairment:							
At 1 January 2012	–	362	440	12,858	713	895	15,268
Provided for the year	–	115	101	6,547	216	222	7,201
Written back on disposal	–	–	(464)	(2,419)	(535)	(840)	(4,258)
Impairment	–	500	–	15,500	–	–	16,000
At 31 December 2012 and at 1 January 2013	–	977	77	32,486	394	277	34,211
Provided for the year	–	85	231	4,595	131	56	5,098
Written back on disposal	–	(1,062)	(105)	(37,081)	(334)	(172)	(38,754)
At 31 December 2013	–	–	203	–	191	161	555
Net carrying value:							
At 31 December 2013	–	–	541	–	589	115	1,245
At 31 December 2012	5,000	280	74	7,447	127	178	13,106

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18. FOREST CONCESSIONS

	2013 HK$'000	2012 HK$'000
Cost:		
At 1 January and 31 December	**833,801**	833,801
Accumulated amortisation:		
At 1 January and at 31 December	**(3,990)**	(3,990)
Accumulated impairment:		
At 1 January	**(560,000)**	–
Impairment for the year	**(70,000)**	(560,000)
At 31 December	**(630,000)**	(560,000)
Carrying amount:		
At 31 December	**199,811**	269,811

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

The Group acquired certain forest concessions in the Papua Province of Indonesia through acquisitions of subsidiaries. The forest concession rights cover the entire forest area of 313,500 hectares. This is a long term licence which allows logging, land clearing and plantation of oil palm trees.

In February 2014, the Company obtained an updated 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 Company commenced the process to apply to the National Land Agency for land use right to establish the right to use of land area for oil palm plantation activities according to plantation business licence or Governor Decree 35/2009. The legal opinion mentioned that as the Company has obtained all the licences and permits to carry out logging, harvesting and plantation activities, 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.

In 2012 and 2013, as the result of the unexpected delay of production, the Group carried out a review of the recoverable amount of those concessions and related equipment. These assets are used in the Group's forestry business reportable segments. The recoverable amount of the relevant assets has been determined on the basis of their value in use. In addition, the Group engaged Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group, to value the fair value of the forest concessions. The fair value of the forest concessions as at 31 December 2013 was approximately HK$205,000,000 (2012: HK$278,000,000) based on the income based approach. The discount rate adopted was 20.42% as at 31 December 2013 (2012: 20.47%).

The review led to recognition of an impairment loss on forest concessions approximately HK$70,000,000 which has been recognised in the profit or loss (2012: impairment loss on Forest Concessions and Property, Plant and Equipment of approximately HK$560,000,000 and HK$16,000,000 respectively).

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19. GOODWILL

	2013 HK$'000	2012 HK$'000
At 1 January	**–**	–
Acquisition of a subsidiary (note 37)	**6,341**	–
At 31 December	**6,341**	–

Goodwill acquired through business combination has been allocated to the information technology segment.

The Group performed its annual impairment test for goodwill allocated to the information technology segment cash-generating-unit by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the cash-generating-unit is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of not more than 3% for a five-year period. The discount rate used of 8.3% reflects specific risks related to the segment. The budgeted gross margin of 17% is determined by the management based on past performance and its expectations for market development. The management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount. Accordingly, no impairment loss is recognised for the year.

20. INTERESTS IN SUBSIDIARIES

An analysis of interests in subsidiaries is as follows:

	Company	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**938,602**	938,602
Due from subsidiaries	**113,008**	100,888
	1,051,610	1,039,490
Less: Impairment losses	**(720,608)**	(658,405)
	331,002	381,085

	Company	
	2013 HK$'000	2012 HK$'000
Due to subsidiaries	**24,754**	26,792

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 amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/(to) subsidiaries approximate to their fair values.

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20. INTERESTS IN SUBSIDIARIES (Continued)

Several subsidiaries had recurring operating losses with low liquidity ratio. After reviewing the financial performance and financial position of these subsidiaries, the directors consider that appropriate impairment loss on the amount due from these subsidiaries should be written down to their recoverable amount. As a result of the review, impairment loss of approximately HK$62,203,000 has been charged to the profit or loss of the Company for the year ended 31 December 2013 (2012: HK$600,000,000). The recoverable amount of the asset is its fair value less costs to sell.

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	Hong Kong	HK$100,000 Ordinary	–	100	Trading business
Source Easy Limited	Hong Kong	HK$10,000 Ordinary	–	100	Trading business
Quasicom Systems Limited	Hong Kong	HK$5,001 Ordinary	–	100	Information technology business
PT. Merdeka Tapare Timber	Indonesia	US$500,000	–	65	Forestry business
PT. Merdeka Plantation Indonesia	Indonesia	US$5,000,000	–	95	Plantation 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.

At the end of the reporting period, there is no wholly-owned subsidiaries that have material non-controlling interests to the Group.

21. TRADE RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**2,300**	2,365

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures established to monitor credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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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:

	2013 HK$'000	2012 HK$'000
Within 30 days	**299**	443
31 to 60 days	**–**	1,026
61 to 120 days	**325**	896
Over 120 days	**1,676**	–
	2,300	2,365

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

	2013 HK$'000	2012 HK$'000
Not impaired	**2,300**	2,365

Receivables that were not impaired relate to customers for whom there were no recent history of default. The Group does not hold any collateral over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Prepayments	**6,084**	6,823	**–**	–
Deposits and other receivables*	**23,084**	21,376	**6,077**	6,027
	29,168	28,199	**6,077**	6,027
Less: Impairment losses	**–**	(1,701)	**–**	–
	29,168	26,498	**6,077**	6,027

Other receivables that were neither past due nor impaired relate to receivables which had no recent history of default.

* Included in deposits and other receivables, a payment of HK$20,000,000 represents a deposit for the proposed very substantial acquisition of 70% interests in Ever Hero Group. The principal activity of Ever Hero Group is provision of information technology solution, online and offline game and content development and enterprise system maintenance services. This proposed very substantial acquisition is subject to the satisfaction of several conditions, including the approval of the shareholders of the Company. As at the date of this report, the acquisition is still in progress.

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23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Cash and cash equivalents	**7,895**	2,620	**7,098**	48

At 31 December 2013, bank balances carry interest at market rate of 0.01% (2012: 0.01%) per annum. The bank balances are deposited with creditworthy banks of high credit ratings.

24. BANK BORROWINGS

	2013 **HK$'000**	2012 HK$'000
Secured bank borrowings repayable on demand	**366**	–

The secured bank borrowings were secured by a personal guarantee given by a director of a subsidiary of the Company.

25. TRADE PAYABLES

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

	2013 **HK$'000**	2012 HK$'000
Within 30 days	**277**	–
31 to 60 days	**43**	–
61 to 120 days	**365**	–
Over 120 days	**232**	–
	917	–

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Other payables	**126**	3,814	**–**	3,045
Accruals	**1,167**	743	**171**	165
	1,293	4,557	**171**	3,210

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

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27. DEFERRED TAX

As at 31 December 2013, the Group has unused tax losses of approximately HK$111,027,000 (2012: HK$101,941,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

28. CONVERTIBLE BONDS

On 12 August 2008, the Company issued the Convertible Bonds as part of the consideration for the acquisition of forest concessions in Papua, Indonesia.

Subject to the restrictions specified below, the 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 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 Convertible Bonds into new shares of the Company thereof, if upon such conversion, any bondholder and the parties acting in concert with him 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 Restriction”);

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

By the supplemental deed dated 30 May 2011 the maturity date of the Convertible Bonds was extended for 3 years and the conversion period will accordingly be extended from 12 August 2011 (date of extension) to 12 August 2014 (new maturity date). Upon becoming effective of the supplemental deed, the Company may at any time during the period commencing from the date of extension to the new maturity date to redeem the whole or part of the outstanding Convertible Bonds on a pro rata basis. Also, the Conversion Restriction was removed. Apart from the extension of the maturity date and the conversion period, the early redemption right and the removal of the Conversion Restriction, all terms of the Convertible Bonds remain unchanged.

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28. CONVERTIBLE BONDS (Continued)

During the year ended 31 December 2013, the Company entered into redemption agreements to redeem the convertible bonds with principal amount of HK$27,000,000. The Company recorded a gain on redemption of convertible bonds of approximately HK$2,237,000.

During the year ended 31 December 2012, the Convertible Bonds with a nominal value of HK$180,000,000 were converted into 1,800,000,000 ordinary shares of the Company of HK$0.01 each. The outstanding principal amount of the Convertible Bonds as at 31 December 2012 was approximately HK$224,880,000.

The Convertible Bonds contain two components, the liability and equity components. The equity component is presented in equity as an "Equity component of convertible bonds".

Upon effective of the supplemental deed in 2011, the Convertible Bonds was valued by the directors of the Company with reference to a valuation report issued by Grant Sherman Appraisal Limited, an independent qualified valuer not connected to the Group. Gain on extinguishment of convertible bonds in respect of the equity component of approximately HK$28,487,000 was recognised in the statement of changes in equity for the year ended 31 December 2011. Gain on extinguishment of convertible bonds in respect of the liability component of approximately HK$132,739,000 was recognised in the statement of changes in equity as owner's transaction for the year ended 31 December 2011.

The effective interest rate of the liability component is approximately 11.66% upon extension of maturity date in July 2011 (prior to extension of maturity date: 7.25%).

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

	Group and Company	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	**189,705**	304,111
Interest charged	**22,200**	26,872
Conversion of convertible bonds	**–**	(141,278)
Early redemption	**(24,434)**	–
At end of the year	**187,471**	189,705

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29. SHARE CAPITAL

	Notes	Company Number of shares '000	Nominal values HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
As at 1 January 2012, 31 December 2012 and 1 January 2013		20,000,000	200,000
Share consolidation	c	(19,500,000)	–
Ordinary shares of HK$0.4 each		500,000	200,000
Share sub-division	d(i)	19,500,000	–
As at 31 December 2013, ordinary shares of HK$0.01 each		20,000,000	200,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
As at 1 January 2012		6,378,649	63,786
Issue of new shares under share-based payments	a	400,000	4,000
Issue of new shares upon conversion of convertible bonds	b	1,800,000	18,000
At 31 December 2012		8,578,649	85,786
Issue of shares upon exercise of share option	e	588,500	5,885
Ordinary shares of HK$0.01 each		9,167,149	91,671
Share consolidation	c	(8,937,970)	–
Ordinary shares of HK$0.4 each		229,179	91,671
Issue of rights shares	f	91,671	36,669
Issue of consideration shares	g	20,000	8,000
Ordinary shares of HK$0.4 each		340,850	136,340
Capital reduction	d(ii)	–	(132,931)
Ordinary shares of HK$0.01 each		340,850	3,409
Issue of shares under general mandate	h	45,000	450
As at 31 December 2013, ordinary shares of HK$0.01 each		385,850	3,859

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29. SHARE CAPITAL (Continued)

(a) On 19 July 2012, Merdeka Resources International Limited, an indirect wholly owned subsidiary of the Company, entered into an agreement with a supplier for the purchase of 800,000 metric tons tailings at a consideration of HK$6,000,000, which should be satisfied by the allotment and issuance of 400,000,000 ordinary shares of the Company under the general mandate granted at the annual general meeting of the Company on 3 May 2012. The issue price of the shares, HK$0.015 per share, was determined with reference to the prevailing market price of the shares. The shares were allotted and issued in August 2012.

(b) During the year ended 31 December 2012, the convertible bonds with a nominal value of HK$180,000,000 were converted into 1,800,000,000 ordinary shares of the Company of HK$0.01 each.

(c) On 20 February 2013, the Company proposed to effect the share consolidation which became effective on 25 March 2013 being approved by the shareholders that every forty existing shares of HK$0.01 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of H$0.4 each ("Share Consolidation").

(d) On 11 July 2013, the Company proposed to effect the capital reorganisation which became effective on 25 November 2013 being approved by the shareholders ("Capital Reorganisation"). The Capital Reorganisation involved the following:

  (i) each authorised but unissued share of the Company was sub-divided into forty shares so that the nominal value of each unissued share was reduced from HK$0.4 to HK$0.01 each ("Share Sub-division"); and

  (ii) the paid up capital of each issued share was reduced from HK$0.4 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.39 so as to form a new share with nominal value of HK$0.01 each ("Capital Reduction").

(e) For the year ended 31 December 2013, 588,500,000 shares were issued upon exercise of share options. Total proceeds were HK$5,885,000. The weighted average share price at the time of exercise was HK$0.01 per share.

(f) On 17 July 2013, the Company issued rights shares on the basis of two right shares for every five existing share held on 21 June 2013, at the subscription price of HK$0.4 per rights shares with nominal value of HK$0.4 each, resulting in net proceeds of approximately HK$35 million, which would be used for general working capital, including but not limited to development of the information technologies business and the expansion of the Company's existing trading business.

(g) On 2 May 2013, End User Technology Limited, an indirect wholly owned subsidiary of the Company, entered into an agreement with the vendor for the purchase of 100% of the issued share capital of Quasicom Systems Limited at a consideration of HK$8,000,000, which should be satisfied by the allotment and issuance of 20,000,000 ordinary shares of the Company under the general mandate granted at the annual general meeting of the Company on 3 May 2012. The fair value of the issue price of the shares, HK$0.23 per share, was determined with reference to the prevailing market price of the shares. The shares were allotted and issued in July 2013.

(h) On 6 December 2013, the Company entered into a General Mandate ("GM") placing agreement with a placing agent whereby the Company conditionally agreed to place through the placing agent, on a fully underwritten basis, a total of 45,000,000 placing shares to not less than six placees at a price of HK$0.156 per GM placing share. The aggregate nominal value of the placing shares under the GM placing agreement was approximately HK$450,000. The net proceeds from GM Placing Shares would be used for expansions of the trading business and the information technology business, including but not limited to the exploration of the opportunities in investing in and/or developing online games, mobile games and financial services related software, as well as for strengthening the general working capital base of the Company.

Notes to the Financial Statements

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30. SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. The old share option scheme was approved by the then sole shareholder of the Company on 20 February 2002 by way of a written resolution and it 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 old share option scheme expired on 6 March 2012 and all the outstanding share options thereunder lapsed because of the expiry of the option period. The new share option scheme of the Company was effective on 3 May 2012, when the annual general meeting was held. Unless otherwise cancelled or amended, the new share option scheme will also remain in force for a period of 10 years from the date of its adoption. 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 shares of the Company (the “Shares”).

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).

Upon acceptance of the share option offers, the grantee shall pay HK$1 to the Company as consideration for each offer. 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.

Notes to the Financial Statements

31 December 2013

30. SHARE OPTION SCHEME (Continued)

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:

	2013		2012	
	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	**0.017**	**83,500**	0.145	307,000
Granted during the year	**0.01**	**595,000**	0.017	83,500
Forfeited/expired during the year	**0.017**	**(4,000)**	0.145	(307,000)
Exercised during the year	**0.01**	**(588,500)**	–	–
Adjusted during the period upon effective of share consolidation and rights issue	**0.51**	**(6,372)**	–	–
Adjusted during the period upon effective of share consolidation and rights issue	**0.86**	**(77,930)**	–	–
At end of the year	**0.016**	**1,698**	0.017	83,500

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

2013 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
128	0.51	30 May 2012 to 29 May 2022
1,570	0.86	17 January 2013 to 16 January 2023

Notes to the Financial Statements

31 December 2013

30. SHARE OPTION SCHEME (Continued)

2012 Number of options '000	Exercise price* HK$ per share	Exercise period
83,500	0.017	30 May 2012 to 29 May 2022

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

The share options are vested at the date of grant. The fair value of the share options granted during the year was approximately HK$3,322,000 (2012: HK$974,000) of which the Group recognised a share option expense of approximately HK$3,322,000 (2012: HK$974,000) during the year.

The fair value of equity-settled share options granted during the year ended 31 December 2013 and 2012 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:

	2013	2012
Weighted average share price	**0.01**	0.017
Dividend yield (%)	**–**	–
Expected volatility (%)	**74.19**	89.4
Historical volatility (%)	**74.19**	89.4
Risk-free interest rate (%)	**0.39**	0.52
Expected life of options (year)	**5**	5
Closing share price at grant date (HK$)	**0.01**	0.017

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 1,697,948 (2012: 83,500,000) 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 1,697,948 (2012: 83,500,000) additional ordinary shares in the Company and additional share capital of approximately HK$16,979 (2012: HK$835,000) and share premium of approximately HK$1,398,339 (2012: HK$584,500) (before issue expenses).

Notes to the Financial Statements

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31. 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 38 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	Capital reduction reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	555,588	18,203	51,732	14,491	–	(55,059)	584,955
Change in equity for 2012:							
Total comprehensive loss for the year	–	–	–	–	–	(629,539)	(629,539)
Equity-settled share option arrangements	–	–	–	974	–	–	974
Issue of new shares under share-based payments	2,000	–	–	–	–	–	2,000
Forfeiture of share options	–	–	–	(14,491)	–	14,491	–
Issue of new shares upon conversion of convertible bonds	146,276	–	(22,999)	–	–	–	123,277
At 31 December 2012 and 1 January 2013	703,864	18,203	28,733	974	–	(670,107)	81,667
Change in equity for 2013:							
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(87,476)**	**(87,476)**
Expenses incurred in connected with Issue of rights shares	**(1,979)**	**–**	**–**	**–**	**–**	**–**	**(1,979)**
Equity-settled share option arrangements	**–**	**–**	**–**	**3,322**	**–**	**–**	**3,322**
Issue of new shares upon exercise of share options	**3,286**	**–**	**–**	**(3,286)**	**–**	**–**	**–**
Forfeiture of share options	**–**	**–**	**–**	**(47)**	**–**	**–**	**(47)**
Issue of consideration shares	**(3,400)**	**–**	**–**	**–**	**–**	**–**	**(3,400)**
Partial redemption of convertible bonds	**–**	**–**	**(3,450)**	**–**	**–**	**–**	**(3,450)**
Capital reduction of issued shares	**–**	**–**	**–**	**–**	**132,931**	**–**	**132,931**
Issue of new shares upon placing	**6,354**	**–**	**–**	**–**	**–**	**–**	**6,354**
At 31 December 2013	**708,125**	**18,203**	**25,283**	**963**	**132,931**	**(757,583)**	**127,922**

Notes to the Financial Statements

31 December 2013

31. RESERVES (Continued)

(c) Nature and purpose of the reserves

(i) Share premium

Under the Companies Law 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 thereof.

(iii) Equity component of convertible bonds

The value of unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 3(l).

(iv) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, 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) Capital reduction reserve

Capital reduction reserve is the credit arising from the capital reduction effective on 25 November 2013.

(vi) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries.

(d) Distributability of reserves

At 31 December 2013 and 2012, the aggregate amount of reserves available for the distribution to owners of the Company calculated in accordance with the Companies Law of the Cayman Islands was approximately HK$83,472,000 and HK$33,757,000 respectively.

32. CONTINGENT LIABILITIES

The Company has no significant contingent liability as at 31 December 2013.

33. 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 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**854**	–
In the second to fifth years, inclusive	**285**	–
	1,139	–

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34. CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2013 (2012: nil).

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short term employee benefits	**3,706**	3,975
Post-employment benefits	**18**	19
Equity-settled share option expense	**558**	823
Total compensation paid to key management personnel	**4,282**	4,817

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise convertible bonds, cash and short-term deposits. 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 this risk 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 HK dollar ("HK$") and Rupiahs ("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 and accumulated loss** HK$'000
2013		
If HK$ weakens against Rp	**(10)**	**(19)**
If HK$ strengthens against Rp	**10**	**19**
2012		
If HK$ weakens against Rp	10	121
If HK$ strengthens against Rp	(10)	(121)

Notes to the Financial Statements

31 December 2013

36. 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.

2013

		Group	
	Within one year or on demand HK$'000	**More than 1 year but less than 5 years HK$'000**	**Total HK$'000**
Bank borrowings	**366**	**–**	**366**
Trade payables	**917**	**–**	**917**
Other payables and accruals	**1,293**	**–**	**1,293**
Convertible bonds	**197,880**	**–**	**197,880**
	200,456	**–**	**200,456**

2012

		Group	
	Within one year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
Other payables	3,814	–	3,814
Convertible bonds	–	224,880	224,880
	3,814	224,880	228,694

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

2013

		Company	
	Within one year or on demand HK$'000	**More than 1 year but less than 5 years HK$'000**	**Total HK$'000**
Due to subsidiaries	**24,754**	**–**	**24,754**
Other payables and accruals	**171**	**–**	**171**
Convertible bonds	**197,880**	**–**	**197,880**
	222,805	**–**	**222,805**

Notes to the Financial Statements

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

2012

	Company		
	Within one year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
Due to subsidiaries	26,792	–	26,792
Other payables and accruals	3,045	–	3,045
Convertible bonds	–	224,880	224,880
	29,837	224,880	254,717

Interest rate risk

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

The Group's bank borrowings are at fixed interest rate, therefore no interest rate risk.

Management 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 the Group's 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 has no concentrated credit risk by customer (2012: 100%) of trade receivables were due from the largest customer as at 31 December 2013.

The Group has concentrated credit risk by customers as for 75% (2012: 100%) of trade receivables were due from the five largest customers as at 31 December 2013.

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 exposure the Group to the credit risk.

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 2013 and 2012.

Notes to the Financial Statements

31 December 2013

36. 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	
	2013	2012
	HK$'000	HK$'000
Bank borrowings	**366**	–
Convertible bonds	**187,471**	189,705
Total borrowings	**187,837**	189,705
Total capital	**58,363**	115,802
Total capital and borrowings	**246,200**	305,507
Gearing ratio	**76.29%**	62.1%

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

37. ACQUISITION OF A SUBSIDIARY

On 18 July 2013, the Group obtained control of Quasicom Systems Limited by acquiring its 100% equity interest at a consideration of HK$8,000,000 which was satisfied by issue of 20,000,000 shares at HK$0.4 per share by the Company to the vendor at the completion date at the closing price HK$0.23 per share as quoted on the Stock Exchange, approximated to HK$4,600,000.

The acquisition of Quasicom allows the Group to broaden the revenue base and improve the profitability of the Group.

Notes to the Financial Statements

31 December 2013

37. ACQUISITION OF A SUBSIDIARY (Continued)

The following summarised the recognised amount of identifiable assets acquired and liabilities assumed as at 18 July 2013:

	Amount recognised (fair value)
	HK$'000
Net assets acquired of	
Property, plant and equipment	10
Cash and bank balances	42
Account receivables	108
Deposits, prepayment and other receivables	237
Account payables	(1,078)
Bank borrowing	(421)
Other payables, accrual and deposits received	(639)
Net liabilities acquired	(1,741)
Goodwill	6,341
Consideration	4,600
Analysis of cash and cash equivalents in respect of the acquisition:	
Cash consideration paid	–
Cash and bank balances acquired	(42)
	(42)

38. EVENTS AFTER THE REPORTING PERIOD

On 29 January 2014, an aggregate of 150,000,000 shares of the Company, representing approximately 28.00% of the issued share capital of the Company as at that date taking into account the issue of such shares, were successfully placed, under specific mandate granted during an extraordinary general meeting of the Company held 29 January 2014, to not less than six placees who and whose ultimate beneficial owners are independent third parties (as defined in the GEM Listing Rules). The Company received net proceeds of approximately HK$22.55 million from such placing.

On 10 February 2014, the Company agreed with the bondholders to exercise its redemption right to early redeem the convertible bonds and served a redemption notice pursuant to the supplemental deed dated 30 May 2011 for redeeming an outstanding principal amount of HK$20,000,000 of the convertible bonds, which were settled in cash of HK$19,000,000, representing a discount of approximately 5% of the principal sum of the early redeemed convertible bonds, by the Company. Following and as a result of the redemption in the aforesaid amount of HK$20,000,000 convertible bonds, the outstanding amount due by the Company to the convertible bondholders under the convertible bonds is HK$177,880,000.

On 17 February 2014, the Company through its indirect wholly-owned subsidiary entered into a non-binding memorandum of understanding with Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司), a company incorporated in the PRC, pursuant to which the Company intended to subscript for the 60% of the enlarged share capital of Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司). As at the date of this report, no legally binding agreement or contract relating to the possible investment has been agreed or entered into by the Company. The Company will keep the Shareholders and public investors informed of any material development in connection with the possible investment by way of further announcement(s) as and when appropriate.

Notes to the Financial Statements

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38. EVENTS AFTER THE REPORTING PERIOD (Continued)

Pursuant to the announcement dated 17 February 2014, the directors proposed to change the English name of the Company from "Merdeka Resources Holdings Limited" to "Merdeka Mobile Group Limited" and upon the name becoming effective, to adopt the Chinese name "萬德移動集團有限公司" to replace "萬德資源集團有限公司" for identification purposes only.

On 27 February 2014, an aggregate of 77,000,000 shares of the Company, 12.56% of the issued share capital of the Company as at that date were successfully placed, under general mandate refreshed and granted during an extraordinary general meeting of the Company held 29 January 2014, to not less than six placees who and whose ultimate beneficial owners are independent third parties (as defined in the GEM Listing Rules). The Company received net proceeds of approximately HK$12.56 million from such placing.

Pursuant to the announcement dated 7 March 2014, the address of the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, will be change to Level 22, Hopewell Centre, 183 queen's Road East, Hong Kong with effect from 31 March 2014.

An extraordinary general meeting of the Company to be held on 28 March 2014 to approve, confirm and rectify the continuing connected transactions derived from the acquisition of Ever Hero Group.

39. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HK(IFRIC) – Int 21	Levies[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 10	Investment Entities[1]
Annual Improvements to HKFRSs (2011–2013)	Amendments to HKFRS 1, HKFRS 3, HKFRS 13, and HKAS 40[2]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 January 2016

The Group is in the process of making an assessment of what 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.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 14 March 2014.

Summary of Financial Information

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

RESULTS

	Period from 1 April 2009 to 31 December 2009 HK$'000	Year ended 31 December 2010 HK$'000	Year ended 31 December 2011 HK$'000	Year ended 31 December 2012 HK$'000	**Year ended 31 December 2013 HK$'000**
Revenue	6,970	6,715	8,891	7,909	**40,762**
LOSS BEFORE TAX	(58,622)	(67,454)	(69,526)	(644,073)	**(115,153)**
Income tax	–	–	–	–	**–**
LOSS FOR THE YEAR/PERIOD	(58,622)	(67,454)	(69,526)	(644,073)	**(115,153)**
Attributable to:					
Owners of the Company	(57,436)	(64,294)	(67,157)	(613,037)	**(109,167)**
Non-controlling interests	(1,186)	(3,160)	(2,369)	(31,036)	**(5,986)**
LOSS FOR THE YEAR/PERIOD	(58,622)	(67,454)	(69,526)	(644,073)	**(115,153)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2009 HK$'000	As at 31 December 2010 HK$'000	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	**As at 31 December 2013 HK$'000**
TOTAL ASSETS	990,670	951,791	921,601	314,400	**246,760**
TOTAL LIABILITIES	(505,432)	(488,050)	(305,635)	(194,262)	**(190,047)**
	485,238	463,741	615,966	120,138	**56,713**
EQUITY:					
Equity attributable to owners of the Company	444,337	426,000	580,594	115,802	**58,363**
Non-controlling interests	40,901	37,741	35,372	4,336	**(1,650)**
	485,238	463,741	615,966	120,138	**56,713**

Glossary of Terms

GENERAL TERMS

AGM(s)	Annual general meeting(s)
Articles	The Articles of Association of the Company
Audit Committee	The audit committee of the Company
Board	The board of Directors
CEO	The chief executive officer of the Company
Chairman	The chairman of the Company
Code	The Corporate Governance Code under the GEM Listing Rules
Company	Merdeka Resources Holdings Limited
Convertible Bonds	The convertible bonds issued by the Company on 12 August 2008 as part of consideration to acquire the forestry business. The convertible bonds, originally due on 12 August 2011 and extended to 12 August 2014, are interest-free and convertible into the Shares at the initial conversion price of HK$4.00 per Share (subject to adjustment according to the terms of the convertible bonds)
Director(s)	The director(s) of the Company
GEM	The Growth Enterprise Market of the Stock Exchange
GEM Listing Rules	The Rules Governing the Listing of Securities on the GEM
Group	The Company and its subsidiaries
HK or Hong Kong	The Hong Kong Special Administrative Region of PRC
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
INED(s)	Independent non-executive director(s)
Ivana	Ivana Investments Limited, a substantial shareholder of the Company
N/A	Not applicable
Nomination Committee	The nomination committee of the Company
PRC	The People’s Republic of China
Remuneration Committee	The remuneration committee of the Company
RMB	Renminbi, the lawful currency of PRC

Glossary of Terms

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)
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)

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