



IR RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

2017 THIRD
QUARTERLY
REPORT



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This report, for which the board (the “Board”) of directors (the “Directors”) of IR Resources Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs: (1) the information contained in this report is accurate and complete in all material respects and not misleading; and (2) there are no other matters the omission of which would make any statement in this report misleading.

SUMMARY

- Revenue of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2017 (the “Reporting Period”) amounted to HK\$23.2 million. (2016: HK\$40.2 million).
- Consolidated loss and loss attributable to equity holders of the Company for the Reporting Period amounted to HK\$26.7 million (2016: HK\$41.3 million).
- The basic and diluted loss per share (the “Shares”) attributable to equity holders of the Company for the Reporting Period was HK3.31 cents (2016: HK12.09 cents (restated)).
- The Board does not recommend the payment of any interim dividend for the Reporting Period (2016: Nil).

UNAUDITED THIRD QUARTERLY RESULTS

The Board would like to announce the unaudited condensed consolidated results of the Group for the three months and the nine months ended 30 September 2017 (the "Results"), together with the unaudited comparative figures for the corresponding periods in 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	2	10,501	12,109	23,195	40,205
Cost of sales		(6,438)	(11,004)	(17,128)	(32,520)
Gross profit		4,063	1,105	6,067	7,685
Other income and gains		715	2,861	720	5,189
Selling and distribution expenses		(325)	–	(466)	–
Administrative expenses		(8,423)	(10,098)	(26,126)	(38,753)
Net loss on financial assets at fair value through profit or loss	4	(378)	–	(7,369)	–
Finance costs	3	(172)	(6)	(566)	(14,186)
Share of loss of an associate		(4)	–	(5)	–
Loss before tax		(4,524)	(6,138)	(27,745)	(40,065)
Income tax expenses	5	(528)	(166)	(741)	(1,251)
LOSS FOR THE PERIOD		(5,052)	(6,304)	(28,486)	(41,316)
Loss attributable to:					
Equity holders of the Company		(3,434)	(6,304)	(26,655)	(41,316)
Non-controlling interests		(1,618)	–	(1,831)	–
		(5,052)	(6,304)	(28,486)	(41,316)
		2017	2016	2017	2016
		HK Cents	(Restated) HK Cents	HK Cents	(Restated) HK Cents
Loss per Share attributable to the equity holders of the Company	6				
Basic		(0.41)	(0.96)	(3.31)	(12.09)
Diluted		(0.41)	(0.96)	(3.31)	(12.09)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
LOSS FOR THE PERIOD	(5,052)	(6,304)	(28,486)	(41,316)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	29	(12)	(74)	(13)
Less: Income tax effect	-	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	29	(12)	(74)	(13)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(5,023)	(6,316)	(28,560)	(41,329)
Attributable to:				
Equity holders of the Company	(5,391)	(6,316)	(26,729)	(41,329)
Non-controlling interests	368	-	(1,831)	-
	(5,023)	(6,316)	(28,560)	(41,329)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The Results have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The Results have been prepared under the historical cost basis, except for biological assets which are stated at fair value. The principal accounting policies used in the preparation of the Results are consistent with those applied in the Company’s annual report for the year ended 31 December 2016, except for the adoption of new and revised HKFRSs that affect the Group and has adopted the first time for the current period’s unaudited condensed consolidated financial information.

2. REVENUE

Revenue recognised during the period is analysed as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000
Sale of wood and agricultural products	5,991	5,924	18,203	34,020
Sale of metallic resources	–	6,185	–	6,185
Income from development of online cultural business	3,302	–	3,302	–
Brokerage commission income	288	–	395	–
Loan interest income arising from financial services business	353	–	728	–
Income from provision of financial information services	567	–	567	–
	10,501	12,109	23,195	40,205

3. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000
Interest on loans from third parties	–	–	–	13,955
Interest on loan from a financial institution	172	6	280	231
Amortized interest on interest-free loan	–	–	286	–
	172	6	566	14,186

4. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

For the Reporting Period, the Group recorded a realized loss from disposal of listed securities of HK\$1,735,000 (2016: Nil) and an unrealised loss arising from change in fair value of the listed securities of HK\$5,634,000 (2016: Nil) based on the price of the listed securities as at 30 September 2017. The Group did not receive any dividend from its listed investments during the Reporting Period.

5. INCOME TAX EXPENSES

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated profits arising in Hong Kong during the three months and the nine months ended 30 September 2017.

(b) PRC Enterprise Income Tax

The applicable PRC enterprise income tax rate is 25% on any assessable profits arising in the People's Republic of China ("PRC") during the three months and the nine months ended 30 September 2017, determined in accordance with the relevant income tax arising in the PRC rules and regulations in the PRC.

(c) Cambodia Corporate Income Tax

Under the Law of Taxation of the Kingdom of Cambodia ("Cambodia"), the corporate income tax is calculated at a rate of 20% on any assessable profits arising in Cambodia during the three months and the nine months ended 30 September 2017.

(d) Deferred Taxation

No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences for the three months and nine months ended 30 September 2017.

6. LOSS PER SHARE

The calculations of the basic and diluted loss per Share for the three months and the nine months ended 30 September 2017 are based on the loss attributable to equity holders of the Company being HK\$3.4 million (2016: HK\$6.3 million) and HK\$26.7 million (2016: HK\$41.3 million) divided by the weighted average number of 831,261,212 ordinary Shares and 804,365,168 ordinary Shares for the three months and the nine months ended 30 September 2017 respectively.

The weighted average number of ordinary Shares for the three months and the nine months ended 30 September 2016 of 657,583,647 ordinary Shares and 341,776,081 ordinary Shares has been retrospectively adjusted for the share consolidation effective in January 2017 respectively.

No adjustment has been made to the basic loss per Share amounts presented for the three months and the nine months ended 30 September 2017 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per Share amounts presented. The Group had no potentially dilutive ordinary Shares in issue during the three months and the nine months ended 30 September 2016.

As detailed in the section headed "Events after the Reporting Period" in this report, upon the issuance of convertible bonds subsequent to the end of the Reporting Period, the number of potential ordinary shares would have been changed significantly if those transactions had occurred before the end of the Reporting Period.

7. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the Reporting Period (2016: Nil).

8. RESERVES

	Attributable to equity holders of the Company								
	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1 January 2016 (audited)	972,987	5,265	-	-	(562)	(930,040)	47,650	-	47,650
Loss for the period	-	-	-	-	-	(41,316)	(41,316)	-	(41,316)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(13)	-	(13)	-	(13)
Total comprehensive income for the period	-	-	-	-	(13)	(41,316)	(41,329)	-	(41,329)
Issue of new shares under rights issue	236,156	-	-	-	-	-	236,156	-	236,156
Share premium reduction	(972,987)	-	-	-	-	972,987	-	-	-
Capital reorganisation	-	(5,265)	-	-	-	133,839	128,574	-	128,574
Issue of shares under placing	16,163	-	-	-	-	-	16,163	-	16,163
Share issue expenses	(6,819)	-	-	-	-	-	(6,819)	-	(6,819)
Recognition of share-based payments	-	-	-	2,016	-	-	2,016	-	2,016
As at 30 September 2016 (unaudited)	245,500	-	-	2,016	(575)	135,470	382,411	-	382,411
As at 1 January 2017 (audited)	245,500	-	(9,889)	2,016	(285)	(140,957)	96,385	4,004	100,389
Loss for the period	-	-	-	-	-	(26,655)	(26,655)	(1,831)	(28,486)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(74)	-	(74)	-	(74)
Total comprehensive income for the period	-	-	-	-	(74)	(26,655)	(26,729)	(1,831)	(28,560)
Issue of shares under placing	19,713	-	-	-	-	-	19,713	-	19,713
Non-controlling interests arising on acquisition of a subsidiary	-	-	-	-	-	-	-	15,814	15,814
As at 30 September 2017 (unaudited)	265,213	-	(9,889)	2,016	(359)	(167,612)	89,369	17,987	107,356

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group is principally engaged in (i) forestry and agricultural business; (ii) financial services business; (iii) logistics business; and (iv) online cultural business.

As described in its previous reports, the Group has been making continuous effort to enhance and diversify its business portfolio to broaden its income stream and for risk management purpose. During the Reporting Period, the Group's forestry and agricultural business recorded revenue of HK\$18.2 million, a decrease from HK\$34 million for the same period in 2016, due to the adverse impact of the stringent administrative policies of the Cambodian government authorities on forestland and the unusually heavy and long raining season this year.

Following completion of the Group's acquisition of the controlling stake of a securities brokerage and fund management corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance in June 2017, the financial performance of the Group's financial service business has improved significantly and recorded revenue of HK\$1.2 million for the Reporting Period.

During the Reporting Period, the Group established a wholly-owned subsidiary and developed its online cultural business and recorded revenue of HK\$3.3 million derived from the provision of services in the development and upgrading of Chinese cultural related online applications.

The consolidated loss attributable to the equity holders of the Company for the Reporting Period amounted to HK\$26.7 million (2016: HK\$41.3 million). The decrease in loss for the Reporting Period was mainly attributable to (i) the savings in finance costs; and (ii) the decrease in administrative expenses. The basic and diluted loss per share attributable to the equity holders of the Company for the Reporting Period was HK3.31 cents (2016: HK12.09 cents).

The Group mainly operates in Hong Kong, Southeast Asia and the PRC and is exposed to foreign exchange risk. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary. The Group's businesses are subject to a number of risks including the market sentiments of the financial market, the weather conditions, natural hazards, illegal loggings and the price movement of wood and agricultural produce.

PROSPECTS

The environmental impact of the Group's forestry and agricultural business is expected to continue to be the subject of environment protection and forestland preservation concerns and remain subject to the volatile administrative policies of the Cambodia government in the short term. However, it is anticipated that the tightening policies of the Cambodian authorities will in a longer run benefit companies like the Group which have been in compliance with the relevant regulations in Cambodia. The Group will continue to monitor the operating environment of this segment and adjust its strategies from time to time in view of the challenges faced by the Group as and when appropriate. The Group will continue to develop its financial service business in order to tap on the growth potential of the Hong Kong financial market as fueled by the closer collaboration between capital markets of Mainland China and Hong Kong. In addition, as mentioned above, the Group recently gained a foothold in the online cultural business and targets to expand the scope of this business line to development of self-owned applications. The Group will continue to make effort to strive to achieve a balanced business portfolio tapping the traditional economy, the financial economy and the new economy.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Group had the following material events:

In October 2017, the Company issued convertible bonds in the principal amount of HK\$18,000,904 which can be convertible into 166,060,000 conversion shares at the initial conversion price of HK\$0.1084 per conversion share.

In October 2017, the Company received a letter from the Cambodian tax authority demanding for tax payment whereby the Company was given to understand that such tax payment was relating to a profit guarantee provided under a non-legally binding memorandum of understanding which was entered into by the Group back in 2007 when the Group acquired a forest in Cambodia. As at the date of this report, the Company is still in the course of gathering more information and seeking tax advices in Cambodia on such the matter.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name	Capacity Interest	Number of Ordinary Shares held	Number of underlying Shares held <i>(Note 1)</i>	Approximate Percentage of shareholding in the Company <i>(Note 2)</i>
Mr. Chan Ching Hang	Beneficial owner	–	4,200,000	0.51%

Notes:

1. Represents the number of share options granted to Mr. Chan Ching Hang under the Share Option Scheme, all of which have been subsequently cancelled in November 2017.
2. Based on 831,261,212 Shares in issue as of 30 September 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 30 September 2017, no other Directors or the chief executive of the Company or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, so far as is known to any of the Directors or the chief executive of the Company, the following persons (other than a Director and the chief executive of the Company as disclosed above) had interest in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, who is interested in 10% or more of any class of share capital carrying rights to vote at general meetings of the Company.

Name of shareholders	Capacity of interests	Number of ordinary Shares held	Number of underlying Shares held	Approximately percentage of shareholding in the Company (Note)
China Wah Yan Healthcare Limited and its subsidiaries	Corporate owner	220,953,772	–	26.58%

Note: Based on 831,261,212 Shares in issue as of 30 September 2017.

SHARE OPTION SCHEME

Pursuant to the share option scheme approved by the shareholders of the Company on 10 June 2011, the employees and directors of the Company and its subsidiaries may be granted options to subscribe for the Shares and the principal terms are set out in the Company's circular dated 27 April 2011.

Details of the movement in and balance of the share options granted under the share option scheme during the Reporting Period and as at 30 September 2017 are as follows:

Grantee	Date of grant	Exercise period	Exercise price per Share (HK\$) (Note 1)	Number of share options				At 30 September 2017	% of shareholding of the Company (Note 2)
				As 1 January 2017 (Note 1)	Granted during the period	Exercised during the period	Lapsed during the period		
Director	27-5-2016	27-5-2016 to 26-5-2018	0.80	4,200,000	-	-	-	4,200,000	0.51%

Notes:

1. The exercise price and number of share options were adjusted pursuant to the share consolidation for 5 shares into 1 consolidated share of the Company effective in January 2017.
2. Based on 831,261,212 Shares in issue as of 30 September 2017.

In accordance with the terms of the share option scheme, options granted have been vested as at the date of grant. The closing price of the Shares immediately before the date on which the share options were granted was HK\$0.65 (as adjusted by the share consolidation effective in June 2016 and January 2017 respectively). The share options granted have been subsequently cancelled in November 2017.

The fair value of the share options granted as at the date of grant is determined to be approximately HK\$0.48 (as adjusted by the share consolidation effective in June 2016 and January 2017 respectively) each using the Trinomial Option Pricing Model with the expected volatility based on the historical share price volatility over the past 3 months. The variables and assumptions used in computing the fair value of the share options as at the date of grant are based on the Directors' best estimate. The value of an option may vary with different variables of certain subjective assumptions.

DIRECTORS' INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the Directors or the substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group during the Reporting Period.

CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, except for the office of the chief executive officer of the Company is vacated. The Board will continue to review the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

APPROVAL OF THE THIRD QUARTERLY REPORT 2017

The audit committee has reviewed this quarterly report for the Reporting Period and was of the opinion that the preparation of such Results complied with applicable accounting standards, the GEM Listing Rules and that adequate disclosures had been made.

By order of the Board

Chan Ching Hang

Chairman of the Board

Hong Kong, 9 November 2017