



IR Resources Limited

同仁資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

2019 FINAL RESULTS

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

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This announcement, 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, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this announcement misleading.

The Board hereby presents the audited consolidated final results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
REVENUE	5	30,629	28,390
Cost of sales and services rendered		<u>(26,196)</u>	<u>(22,808)</u>
Gross profit		4,433	5,582
Other income and gains	5	10,279	1,616
Administrative expenses		(24,101)	(39,890)
Finance costs	7	(1,442)	(2,192)
Fair value loss on equity investments at fair value through profit or loss		(238)	(1,134)
Loss on disposal of debt investments at fair value through other comprehensive income		–	(232)
Loss on written off of property, plant and equipment		–	(120)
Loss on written off of intangible assets		(500)	–
Impairment loss on trade receivables		–	(1,030)
Impairment loss on other receivables		–	(8)
Impairment loss on inventories		(91)	(367)
Impairment loss on property, plant and equipment		(2,136)	(919)
Impairment loss on goodwill		–	(3,522)
Share of loss of associates		(813)	(2,039)
LOSS BEFORE TAX	6	(14,609)	(44,255)
Income tax expenses	8	(467)	(644)
LOSS FOR THE YEAR		<u>(15,076)</u>	<u>(44,899)</u>
Loss for the year attributable to:			
Ordinary equity holders of the Company		(20,818)	(37,585)
Non-controlling interests		5,742	(7,314)
		<u>(15,076)</u>	<u>(44,899)</u>
			(Restated)
LOSS PER SHARE (HK Cents)			
Basic	10	<u>(17.6) cents</u>	<u>(36.2) cents</u>
Diluted	10	<u>(17.6) cents</u>	<u>(36.2) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(15,076)</u>	<u>(44,899)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:		
Fair value loss on equity investment at fair value through other comprehensive income, net of tax (non-recycling) (<i>note 11</i>)	–	(11,885)
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	32	120
Release of fair value reserve relating to debt investment at fair value through other comprehensive income (recycling)	–	(291)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	<u>32</u>	<u>(12,056)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(15,044)</u>	<u>(56,955)</u>
Total comprehensive expense for the year attributable to:		
Ordinary equity holders of the Company	(20,786)	(49,641)
Non-controlling interests	<u>5,742</u>	<u>(7,314)</u>
	<u>(15,044)</u>	<u>(56,955)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3,947	5,860
Right-of-use assets		1,879	–
Intangible assets		–	500
Goodwill		–	–
Interests in associates		12,584	11,477
		<hr/>	<hr/>
Total non-current assets		18,410	17,837
		<hr/>	<hr/>
Current assets			
Inventories		151	242
Trade receivables	12	12,672	13,799
Loans and interest receivables	13	15,363	4,967
Equity investment at fair value through other comprehensive income	11	–	23,424
Equity investments at fair value through profit or loss		608	846
Prepayments, other receivables and other assets		23,122	16,171
Cash held on behalf of customers		6	52
Cash and bank balances		4,212	28,168
		<hr/>	<hr/>
Total current assets		56,134	87,669
		<hr/>	<hr/>
Current liabilities			
Trade payables	14	6	4,198
Other payables and accruals		28,442	51,521
Other borrowing		8,000	8,000
Lease liabilities		1,263	–
Tax payables		4,321	3,886
		<hr/>	<hr/>
Total current liabilities		42,032	67,605
		<hr/>	<hr/>
NET CURRENT ASSETS		14,102	20,064
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		32,512	37,901
		<hr/>	<hr/>

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current liabilities			
Other loan		17,610	16,902
Lease liabilities		637	–
		<hr/>	<hr/>
Total non-current liabilities		18,247	16,902
		<hr/>	<hr/>
Net assets		14,265	20,999
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	16	1,455	41,563
Reserves		7,160	(20,472)
		<hr/>	<hr/>
Total equity attributable to:			
Ordinary equity holders of the Company		8,615	21,091
Non-controlling interests		5,650	(92)
		<hr/>	<hr/>
Total equity		14,265	20,999
		<hr/> <hr/>	<hr/> <hr/>

1. CORPORATE AND GROUP INFORMATION

IR Resources Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong is situated at 26/F., Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong.

The shares of the Company (the “Shares”) are listed on GEM of the Stock Exchange. The Company is an investment holding company and, together with its subsidiaries (collectively, the “Group”), are engaged in (i) the forestry and agricultural business; (ii) the financial services business; (iii) the cultural business; and (iv) the logistics business.

2. BASIS OF PREPARATION

These consolidated 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 applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The consolidated financial statements have been prepared under the historical cost convention except for equity investment at fair value through other comprehensive income and equity investments at fair value through profit or loss, which have been measured at fair values. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. Hong Kong dollars is the functional currency of the Company and its subsidiaries operating in Hong Kong, while the functional currencies of the Company’s subsidiaries established in the People’s Republic of China (the “PRC”) and the Kingdom of Cambodia (“Cambodia”) are Renminbi (“RMB”) and United States dollars (“US\$”), respectively.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)–Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19 which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the new and revised HKFRSs are described below:

HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)–Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)–Int 15 Operating Leases – Incentives and HK(SIC)–Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)–Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for its office premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

At the initial recognition of HKFRS 16 on 1 January 2019, the Group applied the exemption as the remaining lease terms of the leases on hand at the time were within 12 months. Therefore, there was no financial impact of the opening balance of the right-of use assets and lease liabilities as at 1 January 2019 upon the adoption of HKFRS 16.

The lease liabilities as at 1 January 2019 reconciled to be operating lease commitments as at 31 December 2018 are as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 December 2018	889
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	<u>(889)</u>
Lease liabilities as at 1 January 2019	<u><u>–</u></u>

Amendments to HKAS 28

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

HK(IFRIC)–Int 23

HK(IFRIC)–Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

Amendments under Annual Improvements to HKFRSs 2015–2017 Cycle

Annual Improvements to HKFRSs 2015–2017 Cycle sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. Details of the amendments relevant to the preparation of the Group’s consolidated financial statements are as follows:

HKAS 12 Income Taxes: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any material impact on the Group’s consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year, the Group has four (2018: four) reportable operating segments as follows:

- (a) the sale of wood and agricultural products and the timber logging business (the “Forestry and Agriculture Business”);
- (b) the securities brokerage and trading, asset management and loan financing (the “Financial Services Business”);
- (c) the provision of services in the development and upgrading of Chinese cultural related online application (the “Cultural Business”); and
- (d) the logistics business (the “Logistics Business”).

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit or loss before tax except that interest income, unallocated finance costs, share of loss of associates, fair value gains/(losses) from the Group’s financial instruments as well as, head office and corporate expenses are excluded from such measurement.

Year ended 31 December 2019

	Forestry and Agricultural Business HK\$'000	Financial Services Business HK\$'000	Cultural Business HK\$'000	Logistics Business HK\$'000	Total HK\$'000
Segment revenue:					
Sales of wood and agricultural products	30,156	-	-	-	30,156
Loan interest income	-	473	-	-	473
	<u>30,156</u>	<u>473</u>	<u>-</u>	<u>-</u>	<u>30,629</u>
Segment results	<u>5,337</u>	<u>(2,966)</u>	<u>(237)</u>	<u>(3)</u>	2,131
Unallocated corporate expenses					(15,211)
Share of loss of associates					(813)
Unallocated finance costs					(716)
Loss before tax					(14,609)
Income tax expenses					(467)
Loss for the year					<u>(15,076)</u>

Year ended 31 December 2018

	Forestry and Agricultural Business HK\$'000	Financial Services Business HK\$'000	Cultural Business HK\$'000	Logistics Business HK\$'000	Total HK\$'000
Segment revenue:					
Sales of wood and agricultural products	26,592	-	-	-	26,592
Loan interest income	-	168	-	-	168
Brokerage commission income	-	902	-	-	902
Service fee income from provision of financial information services	-	728	-	-	728
	<u>26,592</u>	<u>1,798</u>	<u>-</u>	<u>-</u>	<u>28,390</u>
Segment results	<u>(5,842)</u>	<u>(10,658)</u>	<u>(1,755)</u>	<u>(5)</u>	(18,260)
Unallocated Corporate expenses					(22,441)
Share of loss of associates					(2,039)
Unallocated finance costs					(1,515)
Loss before tax					(44,255)
Income tax expenses					(644)
Loss for the year					<u>(44,899)</u>

Geographical information

Revenue from external customers

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	473	1,798
The PRC	<u>30,156</u>	<u>26,592</u>
	<u><u>30,629</u></u>	<u><u>28,390</u></u>

The classification of the revenue arising from (i) the Forestry and Agricultural Business; (ii) the Cultural Business; and (iii) the Logistics Business is based on the location of the customers' operation.

The classification of the revenue arising from Financial Services Business is based on the location of stock exchanges of the underlying securities investments made by their clients, the location of the borrowed funds first available to their borrowers; or the location of the client's operation.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of wood and agricultural products	30,156	26,592
Related service fee income arising from provision of financial information services	–	728
Brokerage commission income	<u>–</u>	<u>902</u>
	30,156	28,222
Revenue from other sources		
Loan interest income	<u>473</u>	<u>168</u>
Total revenue	<u><u>30,629</u></u>	<u><u>28,390</u></u>
Other income and gains		
Bank interest income	1	6
Dividend income from debt investments at fair value through other comprehensive income	–	413
Gain on deemed early redemption of Convertible Bond (<i>note 15</i>)	–	1,156
Reversal of impairment loss of trade receivables	86	–
Written back of trade payables	8	–
Written back of other payables and accruals	9,696	–
Others	<u>488</u>	<u>41</u>
Total other income and gains	<u><u>10,279</u></u>	<u><u>1,616</u></u>
Total revenue, other income and gains	<u><u><u>40,908</u></u></u>	<u><u><u>30,006</u></u></u>

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Depreciation of property, plant and equipment	1,621	2,184
Depreciation of right-of-use assets	<u>646</u>	<u>–</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loan interest from other borrowing	680	680
Convertible Bond interest (<i>note 15</i>)	–	835
Interest on other loan	708	677
Interest on lease liabilities	<u>54</u>	<u>–</u>
	<u>1,442</u>	<u>2,192</u>

8. INCOME TAX EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
Hong Kong	467	644
The PRC	–	–
Cambodia	<u>–</u>	<u>–</u>
	467	644
Deferred tax	<u>–</u>	<u>–</u>
Total income tax expenses for the year	<u>467</u>	<u>644</u>

Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. The first HK\$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% while the remaining assessable profits are taxed at 16.5%.

The PRC

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax (“EIT”) has been provided at the rate of 25% during the years ended 31 December 2018 and 2019 and where small-scale enterprises with low profitability meet certain conditions, the EIT rate shall be reduced to 20%. EIT has not been provided as the Group did not generate any assessable profits arising in PRC during the years ended 31 December 2018 and 2019.

Cambodia

Under the Cambodian Law on Taxation, the Cambodian corporate income tax (“CCIT”) is calculated at a rate of 20%. CCIT has not been provided as the Group did not generate any assessable profits arising in Cambodia during the years ended 31 December 2018 and 2019.

9. DIVIDENDS

The Directors do not recommend any dividend for the year ended 31 December 2019 (2018: Nil).

10. LOSS PER SHARE

The calculation of basic loss per Share is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary Shares in issue during the year.

The calculation of basic loss per Share is based on:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per Share calculation	<u>(20,818)</u>	<u>(37,585)</u>
	Number of shares (in '000)	
	2019	2018 (Restated)
Weighted average number of ordinary Shares in issue during the year, used in the basic loss per Share calculation*	<u>118,137</u>	<u>103,908</u>

* The weighted average number of ordinary Shares for the year ended 31 December 2018 has been adjusted by the Share Consolidation (as defined in note 16) on 17 May 2019 as if effective since 1 January 2018.

In addition, as detailed in note 16(d), 20,757,500 ordinary Shares were issued and held under the Share Award Scheme (as defined in note 16(a)). As no award has been granted to any eligible person under the Share Award Scheme as at 31 December 2019, the Shares held under the Share Award Scheme is excluded from the weighted average number ordinary Shares for the year ended 31 December 2019 in calculating the basic loss per Share.

No adjustment has been made to the basic loss per Share for the years ended 31 December 2018 and 2019 in respect of a dilution, as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per Share presented.

11. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest in Solar Power Company	–	9,839
SPC Loan	–	13,585
	<u>–</u>	<u>23,424</u>

31 December 2018

The equity investment at fair value through other comprehensive income represented an equity investment in a solar power company (the “Solar Power Company”) which was engaged in solar power generation business. The balance of HK\$13,585,000 represented the loan granted by the Group to the Solar Power Company (“SPC Loan”). During the year ended 31 December 2018, the Group recorded a fair value loss on equity investment at fair value through other comprehensive income of HK\$11,885,000.

In November 2018, the Group entered into a sale and purchase agreement with a company wholly-owned by a director of the Solar Power Company to dispose of all of its interest in the Solar Power Company and the SPC Loan) at a cash consideration of HK\$24,050,000 (the “Solar Power Disposal”).

31 December 2019

The Solar Power Disposal was completed on 31 January 2019 and the related fair value reserve of approximately HK\$3,621,000 were directly transferred to the Group’s retained earnings.

12. TRADE RECEIVABLES

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Trade receivables (<i>note a</i>)	13,723	21,654
Less: Impairment allowances	<u>(1,051)</u>	<u>(7,855)</u>
	<u>12,672</u>	<u>13,799</u>
Account receivables arising from Financial Services Business (<i>note b</i>)		
– Other clients	100	100
Less: Impairment allowances	<u>(100)</u>	<u>(100)</u>
	<u>–</u>	<u>–</u>
	<u>12,672</u>	<u>13,799</u>

Note:

(a) Trade receivables

The ageing analysis of trade receivables at the end of each reporting period, based on invoice date and net of impairment allowance, is as follows:

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
0 to 30 days	–	–
31 to 60 days	4,645	4,923
61 to 90 days	4,201	2,674
91 to 180 days	<u>3,826</u>	<u>6,202</u>
	<u>12,672</u>	<u>13,799</u>

(b) Account receivables arising from Financial Services Business

As at 31 December 2018 and 2019, the account receivables arising from Financial Services Business were over 1 year and had been fully impaired.

13. LOANS AND INTEREST RECEIVABLES

The loans receivables represented outstanding loans arose from the Financial Services Business during the year, which was unsecured, bore interests at fixed rates, and with credit periods mutually agreed between the contracting parties. Overdue balances are reviewed regularly and handled closely by senior management.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loans receivables	15,000	4,800
Interest receivables	363	167
<i>Less: Impairment allowances</i>	—	—
	15,363	4,967

As at 31 December 2019 and 2018, all loans and interest receivables were due from borrowers within one year and were classified as current assets.

The ageing analysis of loans and interest receivables at the end of each reporting period is prepared based on contractual due date and is set out below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Not yet past due	15,363	4,967

14. TRADE PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	—	4,164
Trade payables arising from Financial Services Business (<i>note (b)</i>)		
– Margin clients' account	—	8
– Cash clients' account	6	19
– Clearing house	—	7
	6	4,198

Note:

(a) **Trade payables**

The ageing analysis of trade payables at the end of each reporting period, based on invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
31 – 60 days	<u>–</u>	<u>4,164</u>

(b) **Trade payables arising from Financial Services Business**

The trade payables to margin and cash clients are repayable on demand and interest bearing at prevailing market rates. Based on the deposit or transaction date, the trade payables to margin and cash clients were over 1 year.

The trade payable to clearing house was repayable within two business days, unsecured and interest free.

15. CONVERTIBLE BOND

In October 2017, the Company issued a convertible bond with principal amount of HK\$18,000,904 (the “Convertible Bond”) to an independent third party (the “CB Holder”). The Convertible Bond, which was convertible into 166,060,000 ordinary Shares (before Share Consolidation) at a conversion price of HK\$0.1084 per Share (before Share Consolidation), bore interest at 1% per annum and matured in October 2019. Each of the Company and the CB Holder were granted an early redemption option (the “Derivative”) to request the counterparty to redeem the Convertible Bond any time after the first anniversary of the date of the issuance of the Convertible Bond.

The fair value of the liability component of HK\$15,467,000 at the issuance date was estimated using an equivalent market interest rate for a similar bond without a conversion option. The residual amount less the fair value of the Derivative granted to the CB Holder was assigned as the equity component and is included in shareholders’ equity.

During the year ended 31 December 2018, the movement of the Convertible Bond was as follows:

	2018 <i>HK\$'000</i>
Liability component at 1 January 2018	13,525
Accrued interest included in current liabilities	<u>32</u>
	13,557
Interest expenses (<i>note 7</i>)	835
Deemed early redemption of Convertible Bond	<u>(14,392)</u>
Liability component at 31 December 2018	<u>–</u>

The fair value of the Derivative at the issuance date amounting to HK\$2,310,000 was included in the liability component of the Convertible Bond of HK\$15,467,000 at the issuance date as the early redemption option granted to the Company was closely related to the host debt contract and the Derivative granted to the Company did not separate from the liability host contract (i.e. liability component of the Convertible Bond).

An independent professional trustee (the “Trustee”), engaged by the Group as its trustee for its share award scheme (the “Share Award Scheme”), entered into and completed a sale and purchase agreement on 10 May 2018 for the acquisition of the Convertible Bond from the CB Holder at a consideration of approximately HK\$14,501,000. As at 31 December 2018, the Convertible Bond was held by the Trustee for the Share Award Scheme and no award had been granted to any eligible person under the Share Award Scheme. The acquisition of the Convertible Bond is accounted for as a deemed early redemption of the Convertible Bond during the year ended 31 December 2018 and the related gain on deemed early redemption of the Convertible Bond was calculated as follows:

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
Consideration for acquisition [#]	<u>14,149</u>	<u>352</u>	<u>14,501</u>
Less:			
Carrying amount of the liability component	(14,392)	–	(14,392)
Carrying amount of the equity component	–	(3,931)	(3,931)
Carrying amount of the Derivative granted to the CB Holder	<u>(913)</u>	<u>–</u>	<u>(913)</u>
Gain on deemed early redemption of the Convertible Bond	<u><u>(1,156)</u></u>	<u><u>(3,579)</u></u>	<u><u>(4,735)</u></u>

[#] As at 10 May 2018, the fair value of the liability component of the Convertible Bond of HK\$14,149,000 was determined by the Valuer using partial differential equations, namely the Crank-Nicolson finite-difference method. The related consideration was allocated to the liability component at its fair value, whilst the remaining portion was allocated to equity component and accordingly, the Group recognised a gain of HK\$4,735,000, of which, as to HK\$1,156,000 (note 5) was recognised in the consolidated statement of profit or loss and the remaining balance of HK\$3,579,000 was recognised in the retained earnings.

As further detailed in note 16(d), the Convertible Bond was converted by the Trustee into certain new Shares for the purpose of the Share Award Scheme by the Trustee.

16. SHARE CAPITAL

	Notes	2019			2018		
		Number of Shares	Nominal value per Share	Amount HK\$'000	Number of Shares	Nominal value per Share	Amount HK\$'000
Authorised:							
At 1 January, ordinary Shares of HK\$0.05 (2018: HK\$0.05) each		4,000,000,000	0.05	200,000	4,000,000,000	0.05	200,000
Share Consolidation	(b)	(3,500,000,000)	-	-	-	-	-
Capital Reorganisation:							
Capital reduction	(c)(i)	-	-	(195,000)	-	-	-
Capital increase	(c)(ii)	19,500,000,000	0.01	195,000	-	-	-
At 31 December, ordinary Shares of HK\$0.01 (2018: HK\$0.05)		<u>20,000,000,000</u>	0.01	<u>200,000</u>	<u>4,000,000,000</u>	0.05	<u>200,000</u>
Issued and fully paid:							
At 1 January, ordinary Shares of HK\$0.05 (2018: HK\$0.05) each		831,261,212	0.05	41,563	831,261,212	0.05	41,563
Share Subscription	(a)	166,200,000	0.05	8,310	-	-	-
Share Consolidation	(b)	(872,778,561)	-	-	-	-	-
Capital Reorganisation – capital reduction	(c)(i)	-	-	(48,626)	-	-	-
Conversion into Shares held under Share Award Scheme	(d)	20,757,500	0.01	208	-	-	-
At 31 December, ordinary Shares of HK\$0.01 (2018: HK\$0.05)		<u>145,440,151</u>	0.01	<u>1,455</u>	<u>831,261,212</u>	0.05	<u>41,563</u>

Notes:

- (a) On 12 April 2019, the Company entered into a subscription agreement with an independent third party (the “Subscriber”), pursuant to which, the Subscriber agreed to subscribe (the “Share Subscription”) for 166,200,000 subscription Shares at the subscription price of HK\$0.05 per subscription Share. The Share Subscription was completed on 26 April 2019, with gross proceeds amounting to HK\$8,310,000.
- (b) On 17 May 2019, a share consolidation (the “Share Consolidation”) on the basis that every eight issued and unissued existing Shares were consolidated into one consolidated Share of HK\$0.4 each became effective. The Share Consolidation was approved by the shareholders at the special general meeting held on 16 May 2019.
- (c) On 3 July 2019, the Company effected a capital reorganisation (the “Capital Reorganisation”) involving the capital reduction, the capital increase, the reduction of share premium and the application of contributed surplus to set off against accumulated losses. The Capital Reorganisation was approved by independent shareholders at the special general meeting on 2 July 2019, details of which are as follows:

(i) Capital reduction

This involves (i) the reduction of the nominal value of each then issued Share from HK\$0.4 each (after taken into account of the effect of the Share Consolidation) to HK\$0.01 each by cancelling the paid up capital of the Company, which resulted in a reduction of issued

and paid up capital of the Company from approximately HK\$49,873,000 divided into 124,682,651 shares of par value of HK\$0.40 each to approximately HK\$1,247,000 divided into 124,682,651 shares of par value of HK\$0.01 each; and (ii) the reduction of the authorised share capital of the Company from par value of HK\$0.40 each to HK\$0.01 each, which resulted in the authorised share capital of the Company being reduced from HK\$200,000,000 divided into 500,000,000 shares of par value of HK\$0.40 each to HK\$5,000,000 divided into 500,000,000 shares of par value of HK\$0.01 each. The credit arising from such capital reduction of approximately HK\$48,626,000 is transferred to the contributed surplus;

(ii) Capital increase

This involves the increase of the authorised share capital of the Company from HK\$5,000,000 divided into 500,000,000 new shares to HK\$200,000,000 divided into 20,000,000,000 new shares;

(iii) Reduction of share premium

The share premium account of the Company standing with a credit balance of approximately HK\$265,213,000 as at 31 December 2018 was fully transferred to the contributed surplus; and

(iv) Application of contributed surplus to set off against accumulated losses

Following the completion of the capital reduction, the capital increase and the reduction of share premium, the remaining credit amount standing in the contributed surplus account of the Company was applied to set off the accumulated losses of the Company in full.

- (d) As detailed in note 15, the Trustee acquired the Convertible Bond for the purpose of the Share Award Scheme in May 2018. As at 31 December 2018, the Convertible Bond under the Share Award Scheme was held by the Trustee and no award had been granted to any eligible person. The acquisition of the Convertible Bond was accounted for as a deemed early redemption of the Convertible Bond during the year ended 31 December 2018.

In August 2019, the Convertible Bond was converted (the “Conversion”) into 20,757,500 ordinary Shares (as adjusted for the Share Consolidation) (the “Conversion Shares”) of the Company.

As at 31 December 2019 and up to the date of this announcement, the Conversion Shares are still held by the Trustee under the Share Award Scheme and no award has been granted to any eligible person under the Share Award Scheme and, therefore, the Conversion Shares held under the Share Award Scheme are accounted for in the “Shares held for Share Award Scheme” account as at 31 December 2019.

17. LITIGATION

During the year ended 31 December 2019, the Group involved in a litigation (the “Litigation”) regarding the demand for immediate repayment of its other borrowing of HK\$8,000,000 due to the failure of renewal of the loan by the lender.

The Directors have exercised their due care in defending the Company in the Litigation, assessing the financial impact in respect of the legal costs and claims, if any, of the Litigation. Since the Litigation is still on-going, the Directors would continue to exercise their due care in monitoring the progress of the Litigation and would assess the adequacy of provision for the Litigation and the financial impact of the Group as and when appropriate.

18. EVENTS AFTER THE REPORTING PERIOD

- (a) The Group has ceased its securities corporation licensed business in the Financial Services Business on 21 January 2020.
- (b) Since the spread of COVID-19 in January 2020, the prevention and control of the COVID-19 has been implemented across the PRC and all major countries. The COVID-19 has certain impacts on the business operation and overall economy in many areas or industries. Up to the date of this announcement, the financial effect cannot be ascertained. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

19. COMPARATIVE AMOUNTS

As further explained in note 3, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the consolidated financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17 and related interpretations.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, the revenue of the Group was increased by 7.8% to HK\$30.6 million (2018: HK\$28.4 million).

Gross profit

Despite the increase in the revenue for the year ended 31 December 2019, the Group recorded a decrease in gross profit to HK\$4.4 million (2018: HK\$5.6 million) and gross profit margin to 14.5% (2018: 19.7%).

Loss for the year

For the year ended 31 December 2019, the consolidated loss and loss attributable to the ordinary equity holders of the Company narrowed down to HK\$15.1 million (2018: HK\$44.9 million) and HK\$20.8 million (2018: HK\$37.6 million) respectively, mainly attributable to the written back of other payables and accruals, decrease in staff costs and administrative expenses. Basic and diluted loss per Share for the year was HK\$17.6 cents (2018: HK\$36.2 cents (adjusted for the Share Consolidation)).

RECENT DEVELOPMENT

In January 2019, the disposal of the Group's 17.5% equity interest in a solar power group and related SPC Loan for a consideration of HK\$24.0 million was completed.

In April 2019, the Company completed the subscription (the "Share Subscription") of 166,200,000 (or 20,775,000 as adjusted by the Share Consolidation) new shares of the Company (the "Shares") for net proceeds of HK\$8.31 million at the subscription price of HK\$0.05 per share (or HK\$0.40 per Share, as adjusted for the Share Consolidation).

In May 2019, the Company's share consolidation (the "Share Consolidation") of 8 existing Shares of HK\$0.05 each into 1 consolidated Share of HK\$0.40 each became effective.

In July 2019, the Company completed the capital reorganisation (the "Capital Reorganisation") to, *inter alia*, reduce the par value of each Share to HK\$0.01.

In August 2019, the Group's convertible bond in a principal amount of HK\$18.0 million was fully converted into 20,757,500 new Shares (the "CB Conversion").

REVIEW ON BUSINESS SEGMENTS

Forestry and agricultural business

For the year ended 31 December 2019, the Group's forestry and agricultural business recorded an increase in revenue of 13.4% to HK\$30.2 million (2018: HK\$26.6 million). However, the unlawful and selective logging activities and trade of illegal timber in the nearby region combined with the tightening and dynamic administrative policies of the government authorities and environmental protection and forestland preservation concern as well as the severe flooding and erosion in Cambodia in 2019 have continued to adversely impact the scale and activities of the Group's operation in Cambodia. Despite the difficult operating environment, the unsettled Sino-United States trade war, the global outbreak of the COVID-19 as well as the continuous declining trend in the selling prices of agricultural products, the Group, noting the recently announced effort of the joint government authorities to contain illegal logging and export activities and natural hazards such as the national-wide flooding in 2019 being non-repetitive in nature, is prudently optimistic about the prospects of its forestry and agricultural business and will continue to monitor and assess the risk and challenges of this business segment from time to time.

Financial services business

For the year ended 31 December 2019, the Group's financial services business recorded revenue of HK\$0.5 million (2018: HK\$1.8 million). The decrease in the segment loss to HK\$2.3 million from HK\$10.7 million in 2018 was due to, amongst other things, the decrease in the impairment loss on goodwill from HK\$3.5 million in 2018 (as a result of the restructuring amid the Sino-United States trade war, the economic downturn and uncertainty of the financial market in Hong Kong) to Nil.

Cultural business

The Group's cultural business did not record any revenue (2018: Nil) and recorded a segment loss of HK\$0.2 million (2018: HK\$1.8 million) during the year ended 31 December 2019. In view of the trend for social distancing and increasing demand for online activities as a result of the spread of the COVID-19, the Group will look for opportunities to re-activate the business segment.

Logistics business

During the year ended 31 December 2019, the Group's logistics business did not record any revenue (2018: Nil) and recorded a segment loss of HK\$0.003 million (2018: HK\$0.005 million). The consumer behavioural and business operation changes resulted from the booming stay-at-home workforce, rising awareness of public health and surge in online shopping in the COVID-19 era are expected to spur demand and growth for logistics services, the Group will pursue appropriate business opportunities in this business segment.

PROSPECTS

The Group anticipates that the devastating impact of the Sino-United States conflicts and trade war, which coupled with the recent pandemic outbreak and spread of COVID-19 and worldwide closure of borders and the unprecedented volatility of all major financial markets, together with the ongoing social movement in Hong Kong, will continue to undoubtedly crash the PRC, Southeast Asia and worldwide economy and shock the performance of the Hong Kong financial market. In view of the challenges ahead, the Company will cautiously monitor the operating environment of its business segments and keep abreast of the business opportunities available, particularly those with potential to collaborate with the businesses of the Group.

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the year ended 31 December 2019, the Group's net cash used in operating activities amounted to HK\$40.2 million (2018: HK\$27.0 million). Its net cash inflow from investing activities amounted to HK\$8.5 million (2018: HK\$12.2 million) and net cash inflow from financing activities amounted to HK\$7.7 million (2018: outflow of HK\$14.5 million). As a result, the Group recorded a net cash outflow of HK\$24.0 million (2018: HK\$29.3 million).

As at 31 December 2019, the Group had total assets of HK\$74.5 million (2018: HK\$105.5 million) and total liabilities of HK\$60.3 million (2018: HK\$84.5 million). The Group's gearing ratio (calculated as a percentage of the Group's total liabilities to total assets) was 80.9% (2018: 80.1%). As at 31 December 2019, the total borrowings of the Group amounted to HK\$25.6 million (2018: HK\$24.9 million), comprising borrowing of HK\$8.0 million (2018: HK\$8.0 million), and other loan of HK\$17.6 million (2018: HK\$16.9 million).

As at 31 December 2019, the Group's current assets amounted to HK\$56.1 million (2018: HK\$87.7 million), of which HK\$4.2 million (2018: HK\$28.2 million) was cash and bank balances, and current liabilities amounted to HK\$42.0 million (2018: HK\$67.6 million).

As at 31 December 2019, the net assets of the Group amounted to HK\$14.3 million (including non-controlling interests) (2018: HK\$21.0 million) and the net asset value per ordinary Shares in issue as at the end of the reporting period amounted to HK\$0.10 (2018: HK\$0.20 (as adjusted by Share Consolidation)).

CAPITAL STRUCTURE

As at 31 December 2019, the total number of issued ordinary Shares and the issued share capital of the Company were 145,440,151 (2018: 831,261,212) and HK\$1,454,401 (2018: HK\$41,563,060) respectively.

The change in the total number of issued ordinary Shares and the issued share capital of the Company was due to (i) the Share Subscription, (ii) the Share Consolidation, (iii) the Capital Reorganisation, and (iv) the CB Conversion.

FUND RAISING ACTIVITIES

During the year ended 31 December 2019, the Group conducted the following equity fund raising activity:

Date of announcement	Event	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
26 April 2019	Share Subscription	HK\$8.31 million	General working capital	General working capital

CAPITAL COMMITMENTS, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Capital Commitment

No significant capital commitment of the Group was outstanding as at 31 December 2019.

Significant Investments and Material Acquisitions and Disposals

There was no significant investment and material acquisition during the year ended 31 December 2019. Details of the Group's material disposal during the year ended 31 December 2019 was disclosed in the paragraph "Recent Development" above.

Charge on assets of the Group

As at 31 December 2019, no assets of the Group have been pledged.

EMPLOYEES' INFORMATION

As at 31 December 2019, the Group had 43 (2018: 53) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance as a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, saved as disclosed below, the Company has complied with the CG Code.

Chairman and Chief Executive

To ensure a balance of power and authority, a clear division of the responsibilities of the chairman of the Board and the chief executive has been set out in writing. The chairman is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contribution to the Board's affairs and ensuring that the Board acts in the best interest of the Group. The chief executive is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operation of the Group.

During the year ended 31 December 2019, the office of the chief executive remained vacated. The Board will keep reviewing 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.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has been established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee's primary duties include reviewing the annual reports and quarterly financial reports of the Company and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The Audit Committee currently comprises three independent non-executive Directors, namely, Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Cheung Yin Keung.

The Audit Committee has reviewed the Group's audited consolidated final results for the year ended 31 December 2019 and was of the opinion that the preparation had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

SCOPE OF WORK OF AUDITORS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("Ascenda Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2019. The work performed by Ascenda Cachet in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ascenda Cachet on the announcement.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 will be despatched to its shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.irresources.com.hk) as soon as practicable.

By Order of the Board
IR Resources Limited
CHAN CHING HANG
Chairman of the Board

Hong Kong, 25 March 2020

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Chan Ching Hang; and three independent non-executive Directors, namely, Mr. Cheung Yin Keung, Mr. Hong Bingxian and Ms. Pang King Sze, Rufina.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication and on the website of the Company at <http://www.irresources.com.hk>.